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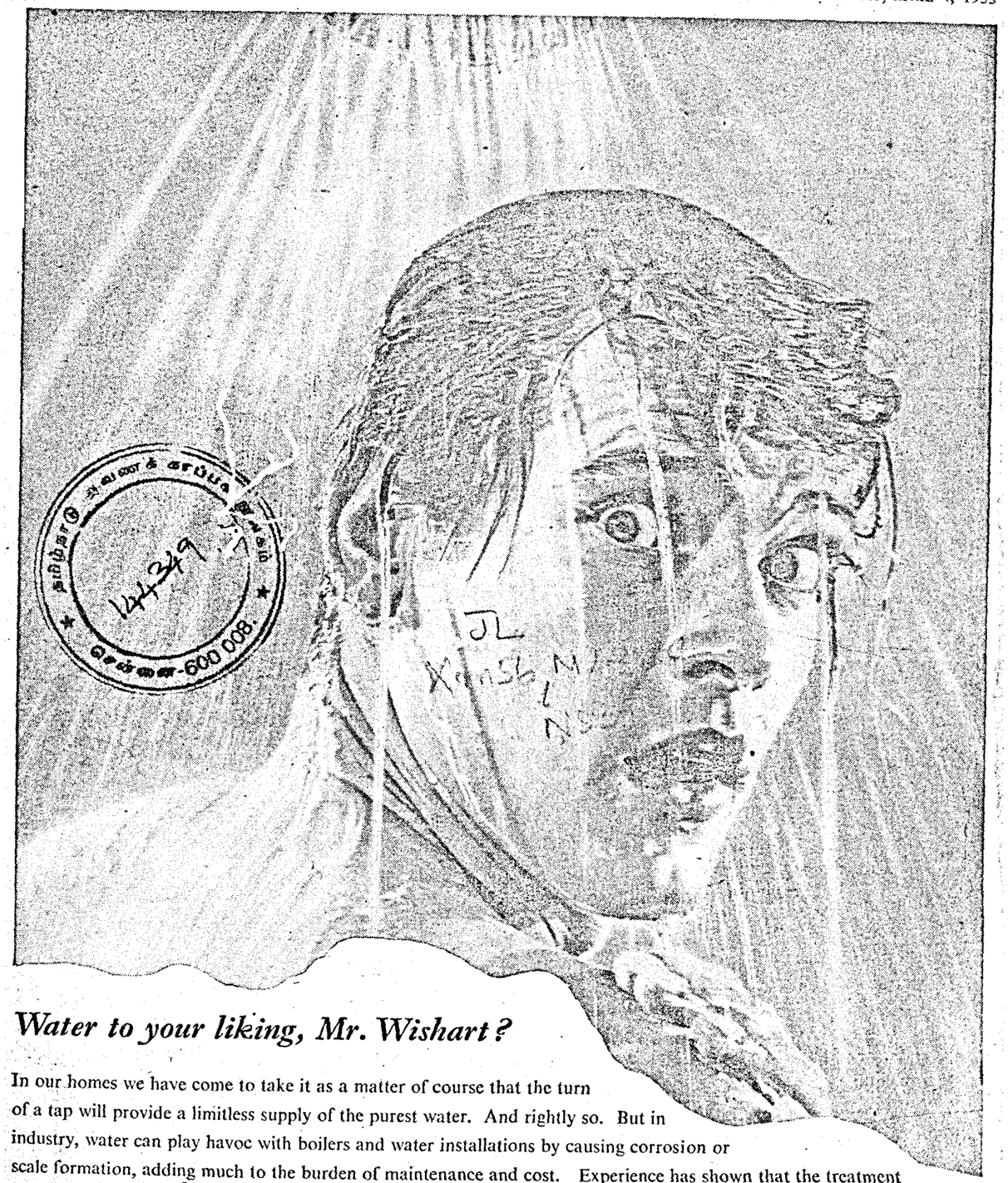
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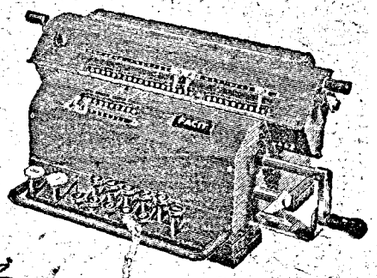
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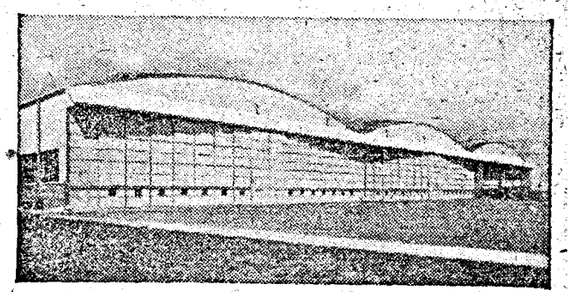
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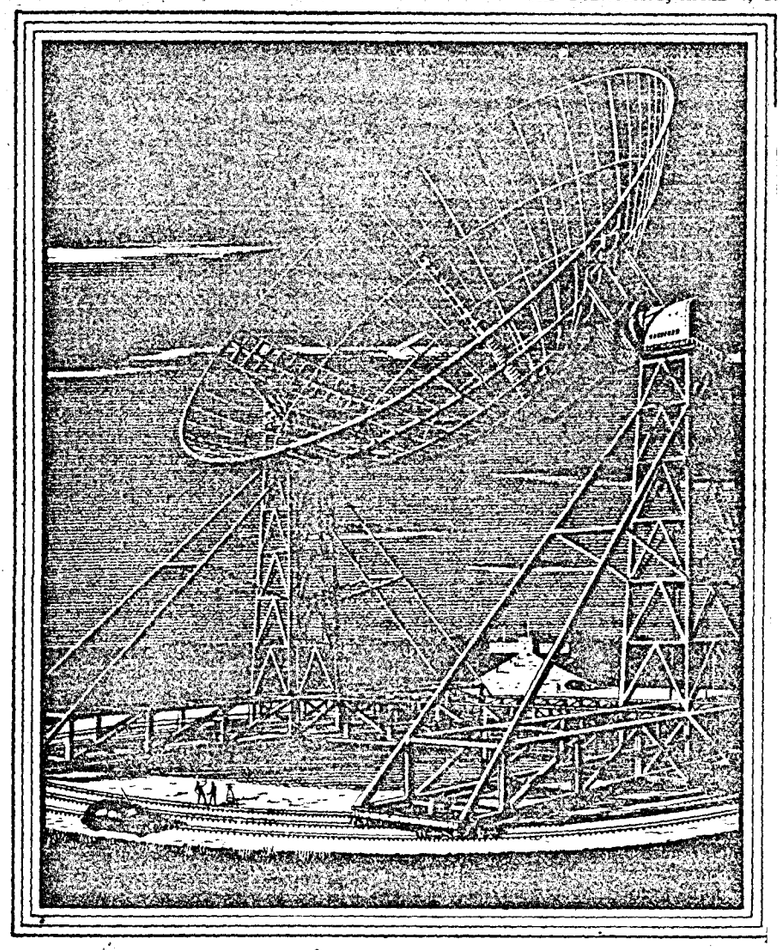
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This radio telescope contains a steel bowl weighing 300 tons, supported on steel towers 180 feet high. The whole instrument above ground weighs well over 1,000 tons. It rides on a circular railway and can be aimed at any part of the sky.

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TRADE INDEMNITY COMPANY

INCREASE IN CLAIMS PAID

SIR JOHN MAKINS ON COMPANY'S FUNCTIONS

The thirty-fifth ordinary general meeting of Trade Indemnity Company, Limited, was held on March 31st in London.

Sir John Makins, the chairman, presided.

The following is an extract from his circulated statement:

Turning first to the underwriting accounts, the gross premiums earned in 1952 came to £1,064,055, as against gross claims paid, less salvages, £294,355 (28 per cent). After deducting brokerages and reinsurances from the premiums, our retention was £312,535, and, after deducting claims recovered from reinsurers from claims paid, our retention was £84,900 (27 per cent).

You will, doubtless, be struck by the increase in claims paid in 1952 (£294,355) compared with 1951 (£60,902). The corresponding figures of net retention were £84,900 and £19,074. The chief cause of this increase was the difficulties which arose in the textile trade in the second half of 1951 and in the early part of 1952, and which were, of course, precisely the kind of difficulties against which your company seeks to provide protection. This affected 1950 and 1951 policies in the main. Apart from that special factor, however, I do not think there can be much doubt that we have left behind the exceptional conditions of the war and immediate postwar years and have entered a phase when normal trade fluctuations will again have their effect on our operations. Nevertheless, the overall position as revealed by the combined figures of premiums and claims in 1952 is not discouraging.

The balance of the underwriting accounts transferred to the profit and loss account is £151,547. Adding £31,545 interest on investments and other income (gross) and after providing £102,432 for taxation on income in the account (56 per cent), the net profit for 1952 is £80,660. To this must be added the balance of £111,454 brought forward from 1951, less £50,000 capitalised and applied in paying up 50,000 £1 shares issued to members in 1952. The result is an amount of £142,114, out of which the directors recommend payment of a dividend of 10 per cent, less income tax. On the present paid-up capital this will absorb £18,375 and, following precedents of last year and the year before, I will again anticipate the proceedings of the extra-ordinary general meeting, which has been called to follow the annual general meeting, by mentioning the proposal to increase your company's capital by £50,000 for the third year in succession, thereby bringing it up to £400,000 in fully-paid £1 shares.

GENERAL REMARKS

Before I close I should like to add a few general remarks on the activities of your company and what we are trying to achieve.

Primarily, we are attempting to apply the principles of insurance to the risk of loss which may be sustained by a merchant or manufacturer due to the insolvency or protracted default of a customer to whom he sells goods on credit terms. In short, and without going into a lot of technical details, we are successfully combining with the function of insurance that of credit consultant. Our experience to date is that this combination is more appreciated and more beneficial than the alternative of mere reliance on the judgment of the insured with safeguards against overtrading. Our system obviously involves heavier expenses, but provided the expenses save even heavier losses it is to everyone's advantage.

Finally, a few words about export credits. The trade indemnity was originally founded with the idea of assisting British exporters to recapture their overseas trade which had been lost or restricted by the 1914-1918 war. Yet at no time have the company's foreign commitments amounted to 50 per cent of its portfolio and today they are considerably less than 25 per cent. The explanation of this involuntary change of objective is not far to seek. In part, it is due to the progressive increase in the political element in risks on overseas customers and, in part, it is due to the activities of the export credits guarantee department of the Board of Trade. The latter has been able to give British exporters protection against exchange transfer restrictions, frustration of contracts through cancellation or withdrawal of import or export licences or the imposition of prohibitions, and against non-payment directly due to war. For private enterprise to vie with the State in covering these contingencies would have been completely unrealistic and unsound.

Nevertheless, we continue to keep in very close touch with international affairs, and we have certainly not allowed our international connections to atrophy. It so happens that this year our general manager, Mr Patrick, is president of the International Credit Insurance Association which, as its name implies, is an association of credit insurance companies, each operating in a different country. At the end of April the association will meet in London and we hope that on that occasion a great deal of useful work will be done on international problems of credit insurance affecting not only the commercial aspect of the business, but also the political aspect.

The report and accounts were adopted.

ERICSSON TELEPHONES

SIR HAROLD WERNHER ON THE TAXATION BURDEN

The fiftieth ordinary general meeting of Ericsson Telephones, Limited, was held on March 31st in London. Mr T. Kirkham, vice-chairman, presided in the unavoidable absence of the chairman, Sir Harold A. Wernher, GCVO, whose speech he read. The following are extracts:

Successive Governments have found it convenient to treat industry as a major source of revenue; look at the balance sheets of public companies today and you will find that well over half the profits earned are taken by the State, and this is in addition to the very heavy charges borne in other directions, such as local rates, State insurances, purchase tax and the like.

Greater taxation relief might at least be given to that portion of a company's profit which is retained in the business, as it is mainly upon this that the replacement of obsolete and worn-out machinery at today's greatly enhanced prices, as well as the expansion and development of a business, must now rely.

Heavy taxation dulls incentive and discourages thrift, it fosters extravagance by the State and leads to high costs, reduced exports and a lower standard of living for all. Industry must be relieved of some of the burdens which handicap it in these postwar years.

Although the outlook is somewhat obscure and subject to world conditions, we have commenced 1953 with a good order book and I feel confident that we shall be able to maintain our strong position and a full measure of employment in our factories.

The report was adopted.

LAW LAND COMPANY

INCREASED NET PROFIT

The seventieth annual general meeting of the Law Land Company, Limited, was held on March 31st in London.

Mr M. E. F. Crealock (chairman and general manager), in the course of his speech, said:

It is with the greatest regret I have to report the death of Mr Langdon-Sparks, which occurred in June last. Mr Langdon-Sparks spent practically the whole of his working life with your company and I know you feel with me we have lost not only a colleague but a true friend.

The accounts show a net profit for the year of £35,292, compared with £26,850 for 1951, and you will no doubt wish to have my explanation of the increase of £8,442. Rents are up by £15,779 at £491,044, which is a record in the history of the company.

SERVICE COSTS

On the other side of the profit and loss account, our heaviest item of expenditure is for service, which is included in the figure of £204,351, and, although this shows an increase of £7,582, I can assure you that costs are constantly under review. The inevitable demand for increased wages which must be met if we are to retain the right type of staff, and the increases in all classes of fuel, and, indeed, in almost everything under this heading, makes the extra charge understandable.

The charge for repairs is always a heavy item, but, again, it is one that must be met, because, in my opinion, the whole structure of the company and the maintenance of its income is dependent upon the condition of our properties. Repairs include renewals, and we have now reached the stage where special attention has to be given to installations such as lifts, boilers, and fire-escape staircases.

Our war damage claim for Stafford House has at last been settled, and included in the repairs charge this year is the cost of decorative work which was done in conjunction with the making good of war damage and was not recoverable from the Commission. This disposes of the last of our major war damage claims.

Some explanation is required for the increase in our carry forward from £25,290 to £33,938. We are now dealing with lift and other renewals, and with this substantial balance in hand we should be able to meet all our commitments without recourse to reserves or reducing dividends.

SOUND BALANCE SHEET

You will, I am sure, agree that the balance sheet presents a remarkably sound picture. The progressive reduction year after year of the mortgage and loan debts, and the regular rise in the leasehold redemption and depreciation accounts are factors which cannot fail to reflect strength in the figures which it is my pleasure to put before you. It may appear to you that there has been a drastic reduction in the value of our current assets, and the explanation here is that we no longer have a debt of any magnitude outstanding against the War Damage Commission.

We have decided to recommend the payment of a final dividend on the ordinary stock of 5 per cent, again making 7 per cent for the year, but feel justified, in view of the results of the year's work and especially as this is our seventieth birthday, in recommending also the payment of a 3 per cent cash bonus, as against last year's 2 per cent.

The report and accounts were adopted.

JAMES PASCALL, LIMITED

PREVIOUS RECORDS SURPASSED

TRADE OUTLOOK

The fifty-sixth annual general meeting of James Pascall, Limited, was held on March 30th at Streatham Road, Mitcham, Surrey, Mr R. Ellman Brown, FCA (deputy chairman) presiding.

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

I reported to you last year that our trade in 1951 had set up new high records, and it is now with pleasure that I am able to tell you that our figures for 1952 show a further considerable advance, both in tonnage and turnover.

So far as derationing is concerned, it would appear, as I prepare this speech, that stocks in the shops have stood up to the initial rush, but all indications are that there is a continuing brisk demand and it will be premature to assume either success or failure at this stage. Unless the import restrictions on non-allocated materials are lifted, or a substantial increase in the sugar allocation is granted to our industry, I fear a position will be reached in the early summer when production will be seriously curtailed. In that event, it may well be that any fall in demand resulting from higher prices will be more than counter-balanced by the drop in supplies. It is to be hoped that the Minister of Food has carefully weighed the risks involved in derationing at this time, and that means will be found to increase the supply of sugar to the industry in the near future beyond the comparatively minor increases granted at the moment of derationing.

There can be no doubt whatever that the whole basis of harmonious co-operation with the Ministry of Food, which was an outstanding feature of the war years and has continued during the recent difficult years, has been profoundly shaken by the Ministry's insistence upon its re-allocation scheme and the way in which it has ridden roughshod over the reasoned arguments put to it by the industry's representatives.

THE YEAR'S RESULTS

Our profit before taxation is £199,921 as against £152,970 last year. Tax this year takes £128,500, as compared with £87,500 last year, and you will see we have had to make an allowance for Excess Profits Levy. The charge for taxes is nearly 50 per cent more than it was last year, although our profits are only 30 per cent up. The difficulty with regard to this penal taxation is that the Chancellor of the Exchequer requires these taxes to be paid in cash at the time when we are really requiring extra working capital.

The policy of the board is to bring the issued capital of the company into line with the capital employed in the business, and with this in view your directors have decided to submit to you a proposal that the capital reserve, amounting to £35,653, shall be utilised in paying in full at par for 713,068 ordinary shares of 1s. each and that such shares shall be distributed as fully paid to the ordinary shareholders at the rate of one share for every three shares held.

I think you will agree that we have had a very successful year, but you will see that when I speak of trade outlook I cannot promise what 1953 will bring forth. I can assure you that your directors will use their best endeavours to produce, if possible, as good a result again.

The report was adopted.

ASSOCIATED ELECTRICAL INDUSTRIES

STEADY PROGRESS

The fifty-third annual general meeting was held on March 31st in London.

Sir George E. Bailey, CBE, MSc, MIMechE, MIEE, the chairman, in the course of his speech, said: The year 1952 was one of steady progress for your company. Production was at a higher rate than ever before; shipments invoiced reached the record figure of £76 million. The comparable figure for 1951 was £63 million.

There has been no significant change in the number of persons employed and the increased output is, therefore, largely due to the wise expenditure in the last few years on new factories and additional and improved plant and machinery. Full benefit could not have been obtained from the increased productive capacity without the active co-operation of all our employees.

Profit before tax has increased by nearly £2 million to £9,900,000, but after tax shareholders are left with only £178,000 of that £2 million. Last year I mentioned that the board's conservative dividend policy was due to the calls made on the company's financial resources by the heavy burden of taxation, the high cost of capital replacements, the increase in value of work in progress and the necessity of providing the extensions required to meet the ever-expanding demand for our products. These conditions will still apply today and the board, therefore, regrets that it is unable to recommend an increase in the rate of dividend. It should be borne in mind, however, that the additional capital which the ordinary stockholders subscribed on bonus terms in February, 1952, ranked for a full year's dividend, and accordingly the total ordinary dividend for 1952 amounted to £931,000, as compared with £673,000.

EXPANDING DEMAND

There is no doubt that the demand for electricity must continue to expand; as I mentioned last year, the consumption of electricity per head of population in this country is still only about half the corresponding figure in the United States. There is every indication, however, that we are entering a period when conditions will once again be highly competitive.

During the years of inflation success has depended very largely on maintaining production in the face of shortages of all kinds. Often more expensive materials and methods of manufacture have had to be adopted to overcome them. As the material supply position improves, costs are again of prime importance and our future prosperity will depend on our being able to manufacture at least as cheaply as our competitors at home and abroad. We have every confidence that our design and manufacturing staffs will be equal to the tasks which confront them.

As the sellers' market gives way to a buyers' market we have every confidence in the ability of our commercial organisations throughout the world to obtain the necessary supply of orders for many and varied products to maintain employment in our numerous factories.

During the years of prosperity a large proportion of the profits has been ploughed back into the business; our factories have been modernised and expanded and we have a highly efficient organisation. We are therefore in a strong position to face the challenge of the future.

The report was adopted.

THE INVERESK PAPER COMPANY

SIR BERNHARD BINDER ON THE STRONG FINANCIAL POSITION

The thirtieth annual general meeting The Inveresk Paper Company, Limited, held on March 27th in London.

Sir Bernhard Binder, FCA, the chairman presided and in the course of his speech said:

Trading conditions, particularly during the latter part of the year, were extremely difficult following a continuous fall in prices. As a result demands for all descriptions of paper were seriously curtailed, causing a severe set back in trade from last May onwards, which is still continuing.

At the last meeting I anticipated that there would be a reduction in the prices of our main raw materials, a fall in the sale price of paper, and that we would have to face losses on the realisation of our stocks. The position was subsequently aggravated by the embargo on imports imposed by Australia and the large paper stocks accumulated by consumers in this country. Consequently the profits for the year were adversely affected by the serious reduction in production in the second half of the year and the necessity of drastically writing down stocks by £1 million.

PROFIT AND LOSS ACCOUNT

The group's trading profits, after providing fully for all stock losses, including forward contracts, amounted to £2,083,700, and after charging taxation the net consolidated profits amount to £698,000. The directors have no hesitation in recommending the same dividend as last year on the ordinary stock of 10 per cent, free of income tax, which has been earned with a very substantial margin.

During the postwar era we have spent well over £4 million on capital expenditure and have written off depreciation of £2 million. It is essential for the continued process of modernising all our mills to provide for further capital expenditure in the coming years.

The group reserves now total nearly £6 million, including stock reserves of £815,000. With the general fall in prices our cash resources now appear to be more than adequate, but during the current year taxation liabilities of over £2 million have to be met and further capital expenditure has to be faced. Moreover, now that prices have fallen considerable funds will be absorbed in building up stocks of finished paper and products.

THE OUTLOOK

There are at present only slight indications of recovery from the recession in trade. Consumer stocks are being gradually reduced to more normal proportions, but orders continue to be spasmodic owing to the natural reluctance of consumers to buy until satisfied that no further drastic fall in prices is likely.

Since October last the prices of pulp have remained fairly stable, but present prices of both pulp and esparto are still substantially higher than those ruling in 1949 and early 1950.

For the first five months of the current financial year most of the group mills have earned profits, but on a reduced scale and the margin of profit is small. It is unlikely that such large profits will be earned as those of the last few years even when demand increases and trading conditions become more normal.

The present financial position of the group is, however, very strong and we should eventually reap the full benefits of our large capital expenditure during the last few years, some of which has not yet become effective. We are thus well equipped to meet and overcome future difficulties.

The chairman concluded with a tribute to the managing director, management, staff and workpeople.

The report was adopted.

JOHN EMSLEY LIMITED

SUBSTANTIAL PROFIT IMPROVEMENT

The sixth annual general meeting of John Emsley Limited was held on April 1st at Bradford, Mr H. Jaques, chairman and joint managing director, presiding.

The following are extracts from his circulated statement:

You will note with pleasure the substantial increased trading profit made by the operating subsidiaries as compared with the previous year. Your board feel that the result is most satisfactory, considering the conditions and trading difficulties of the year under review. Whilst the precaution was taken of reducing the interim dividend to 7½ per cent, the directors consider that the dividend rate for the year can be maintained, and therefore recommend that a final dividend of 17½ per cent should be paid.

The profit and sundry income of the operating subsidiaries, after deduction of directors' emoluments and depreciation of fixed assets but before charging taxation, was £428,379, compared with £73,535 for 1951.

Considerable difficulty has been experienced during the year with the buying hesitation both at home and abroad, the keen competition, and the longer period required for the supply of our raw materials; in addition there has been a shortage in labour.

The high cost of living and taxation and increasing costs of production tend to make the selling and production of goods more and more difficult. Our organisation, buildings, and machinery are in good condition and well able to meet the demands made, and whilst it is not possible to forecast the future, it is felt that the steadier level of wool values should bring about more confidence in market conditions.

The report and accounts were adopted.

UNIVERSITY OF EDINBURGH

CHAIR OF ORGANISATION OF INDUSTRY AND COMMERCE

The University Court will shortly proceed to make an appointment to the Chair of Organisation of Industry and Commerce, which is vacant following the retirement of Professor William Oliver.

The salary of the Chair is £2,000. The Chair is a full-time appointment.

Further particulars may be obtained from the undersigned with whom applications, together with the names of two referees, should be lodged, not later than May 15, 1953.

CHARLES H. STEWART, Secretary to the University.

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Applications are invited for the following posts:

1. Assistant Lecturer or Lecturer in Mathematical Economics;
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F.S.S.U. privileges are available and children's allowances are payable. Further information and application forms may be obtained from The Registrar, The College, Keele, Staffs, to whom completed applications must be returned not later than April 22, 1953.

GOLD COAST GOVERNMENT

VACANCY FOR ASSISTANT SECRETARY (FINANCE)
MINISTRY OF DEVELOPMENT

Applications are invited for a vacancy in the post of Assistant Secretary (Finance) in the Ministry of Development.

Duties: Aside from the wide and varied duties of an Assistant Secretary in a Central Ministry, the principal duties are to prepare the Annual Development Estimates; to supervise and control expenditure authorised under the approved Development Estimates throughout the year; to prepare and maintain Summaries of expenditure on Development projects within the Gold Coast Development Plan and, under the direction of the Minister of Development, to administer the Development Funds.

Qualifications: Candidates must have considerable administrative experience and a knowledge of public finance. A University degree and some knowledge of economics is preferable, but a high standard of general education, intellectual ability and moral qualities of the highest order are essential.

Terms of Service: The appointment will be on contract/gratuity terms for one tour of 18 to 24 months, with a possible extension to two tours. Salary will be in the range £810-£1,950 per annum (consolidated), according to age, qualifications and experience. A gratuity at the rate of £37 10s. (or £25, if salary less than £1,000) for each completed three months of satisfactory service will be payable on final termination of the contract.

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Intending candidates should apply in writing to the Commissioner for the Gold Coast, Melbourne House, Aldwych, London, W.C.2, for an application form.

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THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (*periodicals excluded*).

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The Delegacy for Social Training invites applications for a Research Studentship of £400 from graduates who wish to undertake research in the field of social work. Applications should be made by May 16th, 1953, to the Secretary, The Delegacy for Social Training, 35, Beaumont Street, Oxford. Candidates should give particulars of their academic qualifications and experience and proposed subject of study, and the names of two persons familiar with their previous work to whom reference may be made. The studentship will be tenable for one year in the first instance but special consideration will be given to applicants who propose to read for the degree of B.Litt. or D.Phil. The holder may also be given the opportunity to undertake some paid teaching work.

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THE YORKSHIRE PENNY BANK

announces that the following banks:—
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have purchased from the Midland Bank the whole amount of the Yorkshire Penny Bank share capital hitherto held by the Midland Bank.

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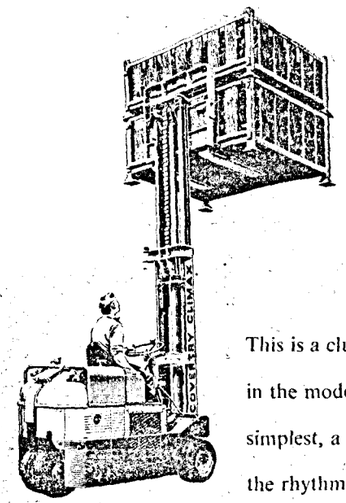
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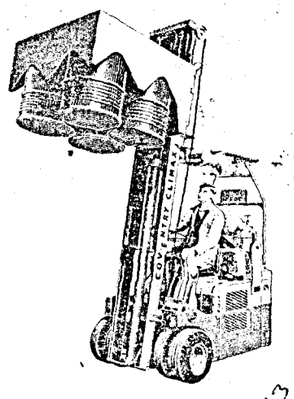
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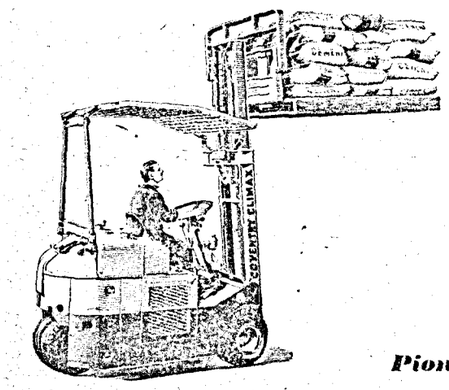
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Symptoms of Sanity

AT one stroke, Mao Tse-tung has reduced to nonsense all the arguments about the Korean war reiterated by Communist China and its allies—and by neutralists in the West—for nearly a year. Since May, 1952, the only substantial reason that the Communists had given for rejecting truce terms put forward by the United Nations Command was their insistence on the forced repatriation of prisoners. Throughout the past year, all the ingenuity that apologists for Peking and Moscow could muster has been devoted to arguing that helpless men should be herded back into the hands of their masters, if necessary at the point of the bayonet. Nobody has worked harder for this repugnant idea than Mr Vyshinsky, who must now find it somewhat embarrassing to be back in New York after Mao's *volte-face*. How is the newly demoted ex-foreign minister to explain why the "world peace camp" extended the Korean bloodshed for eleven months by insisting on a demand which it now sets aside so blandly ?

An answer to that question would be enlightening, not least to those in the free world who have asserted throughout that the only way to get a Korean truce was to accept the forced return of prisoners. But other questions have to be asked more urgently. Chou En-lai's announcement on Monday came immediately after the news that the British ambassador in Moscow had been summoned home for consultations in the light of "indications of the possibility of an improvement in Soviet relations with other countries." To what extent does the Peking government's new move support the theory that any general improvement is imminent ?

The Chinese action is certainly a much more substantial gesture than anything of the kind that has come from Moscow since Stalin's death. There have, indeed, been plenty of straws in the wind that blows from Russia ; and they have attracted the more attention simply because the free world was already scanning the eastern horizon for portents of change. Some observers have thought to see hopeful indications in the admission to Moscow of a touring party of American journalists, and the Soviet government's assurance that it would look into the detention of British and French civilians in North Korea. Spirits were raised in the West even when a Moscow radio commentator referred briefly to allied co-operation during the second world war ; but this concession that Russia won the war not entirely alone was made in a broadcast not heard by the Russian public.

Apart from the acceptance of a Swedish nominee for the long-contested post of Secretary-General of the United Nations, the most solid of the series of Soviet gestures was General Chuikov's message to the British High Commissioner in Germany, which expressed guarded regret for the shooting down of the Lincoln bomber and offered to discuss new safety measures for the Berlin air corridors. Yet even this unexpectedly co-operative move could be interpreted, in view of the Czechs' failure to make any corresponding

gesture after their earlier attack on American aircraft, as consistent with the policy of dividing the western allies. It was not until last Saturday, when the North Koreans at last accepted the long-standing offer of the United Nations to exchange sick and wounded prisoners —a proposal which originated with Mr Eden—that the first concrete step in the direction of settlement was taken by the post-Stalin Communist world ; and this step was taken not by the Russians but by their Asian allies.

The impression that the new Soviet government may contemplate adopting a more amenable attitude has, however, become strong enough to justify the recall of Sir Alvary Gascoigne from Moscow. This impression can scarcely be inferred from any public protestations of peaceful intent made by Russia's new rulers. Indeed, Malenkov and his colleagues would be the first to deny that they mean to follow a more pacific policy than Stalin. All their statements embody pledges to carry on his policy exactly as it stood—and Stalin's "peace policy" found room at various times for blockade, intervention, threats, attacks on aircraft, war by proxy and annexation. But there may be sounder reasons for supposing that Malenkov and his immediate following badly need a temporary relaxation in international tension.

Both within and without, the first need of the new men in the Kremlin is to gain time, to secure a period of relative calm during which they can consolidate their personal power. To achieve this object, they appear to be willing to make concessions in various directions. The amnesty for minor offenders, and the gesture to the officer caste represented by Marshal Zhukov's recall from obscurity, suggest the application of this policy on the home front. Externally, Malenkov finds it necessary to woo Mao Tse-tung, not only by according him the most deferential treatment, but also by conceding to him the economic aid for which Chinese negotiators had been haggling in Moscow ever since last August. Against this background, it is no more than consistent to make a series of mollifying gestures to the West, and to instruct Mr Vyshinsky to abandon his bodyguard and to mingle affably with non-Communist delegates at the United Nations.

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But can the free world expect anything more than gestures from Moscow ? There is, on present evidence, little reason to suppose so. The very weakness that inspires the new government's concessions to its own subjects and allies makes it difficult for it to concede anything substantial to the West. Until they are safer in the saddle, Malenkov, Beria and their intimates dare not incur the charge of failing to defend Soviet interests. Thus, while proffering their olive twigs with one hand, they have used the other to maintain a show of unyielding strength, by means which range from attacks on western aircraft in Germany and the Far East to Mr Gromyko's continued intransigence in last week's UN debates. The one change of importance is this: no one in the Kremlin can now prevent Mao Tse-tung from seeking his own objectives. The Chinese ruler may well have realised that he could never win the final victory in Korea which he once boastfully forecast, and that the value of his war as a rallying-point for patriotic feeling and an excuse for discipline and demands on the home front was diminishing, while its claims on economic resources and skilled manpower were coming more and more into conflict with the needs of the industrialisation programme. Perhaps he has wanted to call off the fighting for some considerable time, but has been restrained by his need for Russian economic aid. It is certain that he is no longer so restrained. Whether Malenkov and his colleagues like Mao's latest move or not, they are in no position to veto it.

A sharp distinction must, therefore, be drawn between the prospects of a Korean truce and the possibility of a general settlement between the Communist and the free worlds. The achievement of the former would not necessarily bring the latter any nearer. While the new Soviet government has everything to gain from a temporary lull in the cold war, there is no tangible evidence to suggest that it is anxious, or even able, to embark on a final settlement of any major international issue. Some of the aggressive tactics associated with Zhdanov must, admittedly, pass into eclipse with the enthronement of Zhdanov's rival. For the time being, the new government's attention is likely to be directed primarily to consolidation ; the key word in Moscow today is *monolitnost*—monolithic unity, the "supreme principle" propounded by Malenkov in his speech to the Supreme Soviet. It may be expected that the "peace" campaign will again be intensified and that every effort will be made to convince the free world that the danger of war comes only from the capitalist governments of the West. Propaganda on these lines would accord admirably with the policy of encouraging splits between the free nations. Was it not stated at Stalin's last Congress of the party, four months before his death, that wars between capitalist countries are still "inevitable," whereas war between East and West is not ?

But if the Soviet world is quiescent for a time, it will hardly be relaxed. A post-Stalin leading article in *Pravda* has called on the Russian people to fulfil their "sacred duty of strengthening by every means the mighty Soviet armed forces and our Soviet intelligence service." If there is to be any relaxation, it will be confined to the West ; and, however welcome a halt to the fighting in Korea must be to all those members of the United Nations that have helped to resist aggression there, they will need to remain vigilant at least until the implications of the new Soviet policy have shown themselves more clearly. What is surprising and alarming is to see how so little has to be said from Moscow to obscure the memory of so much that has been done.

What Went Right ?

THE attempt to make an annual economic plan began in 1947, and only the title now survives. The Government's "Economic Survey for 1953" is in fact a sensible, well-balanced report on the changes in the economy during 1952. A year ago the first survey to come from a Conservative Government carried to a logical conclusion the trend that had been marked in the later years of its predecessor: quantitative forecasts, which had been so often and so widely off the mark, were abandoned. This year's survey shows instead the beginnings of a new approach to policy-making. In its final pages the economic prospect is discussed—not, indeed, fully and decisively, but with some attempt to set out the conflicting influences at work. There is more sign of Government policy being consciously shaped to the prospect. As the functioning of the economy is left in greater measure to market forces, the Government finds itself more, rather than less, able to "take a view" of its own. To set out this view, with evidence and explanation, should become increasingly the purpose of the annual survey ; it is the foundation of a new technique of planning that could be considerably more effective than the old.

This trend, however, is as yet in its early stages, and for 1953 the main importance of the survey (which is discussed in more detail on later pages) is its analysis of what happened to the economy last year. In March, when the Chancellor had completed his policy for the dollar crisis, almost all outside opinion held that the policy threatened to be dangerously inadequate. As was pointed out in these columns at the time, Mr Butler leaned at every point to an optimistic assessment of the outlook for 1952 ; and while at many points he might be right, the odds against his being right all the time—against his final conclusion being justified—were formidably long.

In the following months this view grew rather than diminished. During the summer not only economists, but even many politicians were to be found fearing that Britain was standing on a trap-door and urging the Chancellor to strengthen his disinflationary policy. Yet by now the general opinion is that the critics were too gloomy and Mr Butler was right. And while this conclusion should be accompanied by several sophisticated riders, it can hardly be dismissed as a mere popular myth in face of the patent facts that disaster has not come, that the gold reserve is rising, that the balance of payments is in surplus, and that inflation has been subdued. At the level of political discussion, if not in the more rarefied heights of an economists' circle, the question to be asked about economic affairs since the Conservatives came into office is not, for once: What went wrong ? It is: What went right ?

Certainly the points made against Mr Butler's policy by his political opponents have proved to be ineffective. He was accused of reducing the import bill at the expense of a rake's progress of living on stocks. The survey shows that in fact in 1952 the country earned an external surplus without any appreciable change in stocks—a considerable improvement on the 1950 achievement of which Labour was so proud. Again, it was said that the external gap was being closed by sacrificing the industrial investment on which future efficiency and prosperity depend. That, indeed, has an important element of truth. But it was always necessary to add that Mr Butler did not begin the policy ; and it should now be admitted that on balance the outcome—which included, besides some cut in investment, a great expansion last year in business savings—is certainly not to weaken British industry's capacity for future improvement and expansion.

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The truth is that there has been a remarkable turnround, and while it rests in large measure on good fortune—above all, on the improvement in the terms of trade—the Government is also entitled to considerable credit. Not only was the British economy snatched from disaster last spring. There is now widely spread through industry an atmosphere of competition, a degree of flexibility, which certainly compares favourably with the indifference and rigidity that persisted through the long period of sellers' markets. In the Economic Survey the Government can fairly claim that "at the beginning of 1953 the economy was in a much healthier condition that a year before."

If the outcome is better than most observers expected, the reason is certainly not that on all points Mr Butler's optimism was justified, or that his political courage was in all respects sufficient. He was gravely disappointed in the belief that industrial production would increase. And while he could bring himself to make realistic cuts in the food subsidies a year ago, he could not resist paying out bigger housing subsidies. He can be blamed for his inconsistencies, as well as praised for his decisions to let the open market and prices do more of his economic donkey work. One of the most significant lessons of this past year's experience is that a 4 per cent Bank rate has been more effective in checking inflation, despite the mildness of the Budget itself, than even the advocates of monetary policy generally dared to hope. It has not only helped to check stock-building ; it has induced a wholly healthy caution in both business and personal spending, with the result that savings have gained all round.

In the past few months one other thing has also worked powerfully in Mr Butler's favour. Twelve

months ago his critics assumed that in the later part of the year defence production would still be rising; this strain on the economy was to have been intensified at the same time as the burdens of the housing programme began to reach their full size. In fact, the decisions taken late last summer halted the defence expansion, and Mr Macmillan is able—as yet, at any rate—to build his houses without destroying Mr Butler's more substantial achievements.

Such are the things that have gone right—in the sense of making short-term economic policy more successful than at one time seemed likely; whether all of them are to the national advantage over a longer period is another question. What benefits do they promise for the future? The British economy in 1952 again made considerable progress in a period when external circumstances turned very much in its favour. The same thing happened in earlier years of even numbers—in 1946, 1948 and 1950—and hitherto the improvement has always been too small to give the country any real strength in face of the following year's crisis. If it is possible to congratulate the Chancellor for what is justified in his optimism, it is equally possible to regret that so little advantage has this time been reaped from so large a turn in the wheel of fortune. The economy is healthier now than it was a year ago; but how much healthier would it have been if Government expenditure had been cut a year ago by £200 or £300 million?

Great as the improvement in the terms of trade has been, a half of the shift to a surplus in overseas payments has nevertheless depended on cuts in imports that are now necessarily being relaxed. At the same time, hopes of any really large gain in the dollar reserve, or of any definite advance towards sterling convertibility, are dwindling. Internally, it is far from certain that the checking of inflation is really the "more lasting development" that the survey at one point claims. That check is the product of some changes in external circumstances—most notably, the import restrictions imposed by other countries—and of relatively small adjustments in policy at home. Other changes could reverse it quite as easily.

The temptation on the politicians, seeing a little slack here and there, is always to blow up the inflationary balloon again, and there have been hints enough in recent weeks that the Government is only too likely to yield to temptation. There is no sense in driving the British economy into underemployment and declining output; but there are inescapable reasons for securing a shift in the country's resources towards the export trades, and for tilting the balance of policy in favour of greater investment and not greater consumption. Little of this happened last year. The Conservatives are deluding themselves—and will pay heavily for the delusion—if they think that they have saved the country by a policy that has done its work and can now be relaxed. In fact, they have taken necessary emergency measures and with good luck the British economy has been pulled through a crisis. The tasks of establishing solvency on surer foundations and of moving from convalescence to true economic health still remain.

The Finance of the Dog-Fight

MR JUSTICE LYNSKEY said some sharp things recently about the legal aid scheme. The case before him arose out of a dog-fight between Prince, an alsatian, and Rex, a spaniel. The owner of Rex alleged that in the course of the fight Prince had butted her in the stomach and knocked her down, with resulting injuries to her spine. The owner of Prince told a different story. The plaintiff, he said, was not pushed; she fell. It was Rex that was trying to get at Prince, not the reverse; Prince, he added, was a friendly dog.

When Mr Justice Lynskey had given judgment for the defendant, he was told that both parties were assisted persons under the scheme. Then what chance, he asked, had the plaintiff of recovering her damages had she won? None, he was told, unless the defendant's financial position improved, as the result, say, of winning a football pool. It was then that Mr Justice Lynskey exploded, and it is difficult not to share his feelings over this particular dog-fight. Other judges have criticised other aspects of the present legal aid system, and it seems time to consider whether the comments from the Bench make up a case for complete revision of the scheme.

It has now been in operation for two and a half years. The sections of the 1949 Act that provide for legal aid, as distinct from legal advice, in civil cases were brought into operation on October 1, 1951, and the Law Society's report and statistics covering the first full year have recently been published. In the year ended March 31, 1952, 48,700 applications for aid were received; of these, 39,453 were granted certificates for legal aid. It is estimated that about 80 per cent of all applications are for matrimonial relief of one kind or another and that another 16 per cent are claims for damages for personal injuries, mainly on the roads or in factories. The remaining 4 per cent are miscellaneous. Cases resembling that on which Mr Justice Lynskey commented can, therefore, be only a very small minority. In matrimonial suits, although damages may be claimed on a divorce petition, money is not the whole, or even the main, object of the proceedings. Again, in most claims for personal injuries, the defendant, as the owner of a motor vehicle or proprietor of a factory, is insured; any damages he is ordered to pay will be forthcoming at once. Moneys recovered for assisted persons in damages and costs are now

running at the rate of about £1,000,000 a year. It is too early to say what the ultimate cost to the Exchequer of the whole scheme will be, for instalments both of contributions to costs and of recoveries of costs may be spread over more than one year; but in 1951-52 the grant in aid to the Law Society was £260,000—which compares rather remarkably with the current grant of £785,000 to the Arts Council.

Nevertheless, the fact that the system may produce satisfactory results for the majority should not stifle criticism. Is it really confined to those who cannot afford to pay the normal costs of lawyers? Does the system encourage litigation, and thereby impose hardship on those who, usually at their own expense, have to defend unjustified claims with no hope of getting back their costs if they are successful?

*

The legal aid system, under the ægis of the Lord Chancellor, is fairly and squarely in the hands of the Law Society for administration, with appropriate aid from the Bar on the various committees and in the proceedings themselves. There is also a national advisory committee of laymen (a committee which not only takes itself seriously but which is taken seriously by others) in the background. Administration is decentralised among twelve area committees of lawyers, unpaid, based on the provincial law societies, aided by 110 local committees covering all England and Wales. The application for aid goes to the local committee, which decides if the applicant has a case to prosecute or defend. The questions of his means, and the contribution he should make to the cost, are kept separate and are answered by the National Assistance Board. The Board works on a basis laid down by the 1949 Act itself, and lawyers consider that it functions efficiently and quickly. Two comments on the financial side of the system were made by the advisory committee in its report for 1951-52. One was that there seemed to be a small class of applicant whose paper incomes and declared means were small but who seemed to live very well none the less. The other was that there are cases, of a wife or a daughter at home, for example, where the applicant had no means but where it would be reasonable to expect the immediate family to help. In both cases the local committees have a remedy. They can refuse legal aid, whatever the merits of the case, if they think it unreasonable.

The second criticism is that the local committees grant the certificates for aid too easily, which means that a corresponding number of people have to fight legal actions that should never have been brought. From that criticism the comment easily follows that lawyers would naturally want to encourage litigation provided it was paid for by the state. The rider is unjustified—at least, in that crude form. The lawyers who take on assisted litigants get no more than 85 per cent of their standard charges, and that only after a close scrutiny of each bill by the court's taxing official. If the 10,000 or so cases dealt with by salaried solicitors in the Law Society's own divorce department are deducted, some 9,000 solicitors have handled an average of four and a half cases each in a year, which is hardly an opportunity to make a fortune. But there is more substance in the main criticism. Part of the difficulty arises from the failure to bring into force the legal advice sections of the 1949 Act. Despite the fact that the committee has heard only the applicant's story, if it acts it must authorise litigation and start the snowball of legal costs rolling at once.

This has two other consequences. The applicant himself is confirmed in his belief that he must have a good case, and is therefore less willing to think of a compromise. The solicitor he instructs, particularly if it is in a country area where the local reputation of a lawyer matters a great deal to the size of his practice, is reluctant to appear as the kind of man who takes on a case and then throws cold water on his client's hopes. The committees probably do give applicants the benefit of too many doubts. There is a natural reluctance to damn outright even a shaky case, and there is a justifiable belief that it is not for these committees to usurp the functions of the courts themselves and decide the merits of the claim. High Court judges cannot have it both ways. If they regard themselves as the fountain of justice, they should not complain if local committees decline to set up smaller springs of their own. Yet the possible injustice to the other party exists, and in its report the advisory committee was well aware of that. It certainly looks as though the committees have been too willing to back appeals; whereas 73 per cent of assisted cases fought in the Queen's Bench Division were successful, there were only 51 per cent of successful cases in the Court of Appeal.

The obvious step would be to bring into operation the section of the 1949 Act that allows a local committee to issue a certificate entitling the assisted person to advice only. One objection to this could be that the whole cost of the work done by the lawyer would fall on public funds because there would be no opportunity of obtaining a court order that the other party should pay them. On the other hand, everybody knows that many cases are settled without litigation on the basis that the compromise payment covers all the costs as well. The advantage of the preliminary investigation is that the real merits of the case are known before the expense of litigation started. Thus the final result might well be a saving of public money.

To return to the action of Rex v. Prince, it is easy to say that the action should never have been brought because the defendant could never pay the damages. But what of the old lady, badly injured by the careless errand-boy, on a cycle, employed by the small shopkeeper who was not insured against that kind of risk? She was assisted and was awarded £1,000 damages. The shopkeeper was asked what he was going to do about it. He did not plead that his only chance was to win a football pool. He said, "I'll pay her thirty bob a week while I can." And he did.

Notes of the Week

Mau Mau at War

THE unexpected debate on Kenya, which the Opposition managed to initiate in the House of Commons on Tuesday, fitted in well with its wish to delay the passing of the Transport Bill as long as possible. But no harm was done by forcing the Government to abandon what had become an unreasonable determination to have the Bill made law before the Easter recess. Moreover, the debate took place in its own right, for the massacre of Kikuyu loyalists last week was certainly "a definite matter of urgent public importance" and fully justified the use of the exceptional procedure that interrupts the normal business of the House of Commons.

Earlier, at question time, Mr Lyttelton had admitted that the situation in Kenya was now "more like a war than an emergency." This was made quite clear by the massacre, which was obviously well organised and took place only 25 miles from Nairobi. Fully 150 men, women and children were slaughtered; there was also a raid on the Naivasha police outpost, from which rifles and automatic weapons were looted; and in several smaller incidents the loyalists have lost in life and prestige. The Government certainly has not proved itself able to protect those who support it against Mau Mau.

It is too soon to know whether the Mau Mau counter-attack will achieve its objective, which is to destroy the morale of pro-Government Africans. In the debate, Mr Lyttelton suggested that the very success achieved in hemming Mau Mau in was forcing it to these organised attacks instead of sporadic acts of violence. He also asserted that more information was coming in. Since the raid, there have been reports that mothers who have seen their children butchered have come forward as witnesses. If it is true that Africans are providing more information, this would be a setback for Mau Mau, whose success hitherto has rested in part on the stultification of British justice through the intimidation of witnesses—so much so, indeed, that ugly stories are coming to Britain about the conviction of suspects on flimsy evidence. To drive a British community to mere reprisals would indeed be a signal victory for the Mau Mau thesis that the white men are just as much "savages" as Africans; it would wreck the whole Government case.

Evidence that the loyalist Kikuyu are standing up well to their ordeal, however, provides a hopeful sign in a thoroughly disquieting turn of events. The Mau Mau outbreak has shown the intelligence and adaptability of the Kikuyu in what is now virtually tribal civil war; and the loyalists can see that the Government has the might of Britain behind it—soon to be further manifest in the arrival of two more battalions of troops, of which further details were given in the debate. Meanwhile, as the mass exodus from the White Highlands goes on, famine threatens the reserve and production in the European area sags. Fortunately, the Government is now wisely intervening to stop this migration, which is causing both it and the United Kingdom Government considerable anxiety.

Forming Labour Policy

THE Labour Party is making fairly fast work of its new programme. In three weeks' time the national executive committee will be ready to review, and presumably in substance to approve, the draft that its sub-committees have been preparing. There is to be, by all accounts, much that will be new to the British Labour movement. At the preliminary meeting at Brown's Hotel four months ago there seems to have been a general agreement that, as a principal method of extending public ownership in future, the state should buy a controlling interest in important companies rather than create national bodies embracing whole industries, on the pattern of the 1945 programme. In the detailed drafting, firms in the aircraft and machine-tool industries have become the favoured candidates for this treatment.

Among the more familiar subjects of nationalisation, the rumours suggest that sugar is definitely off the list but cement may not be. The policy-makers are reported, however, to have developed a determination to nationalise—in the old, 100 per cent sense—most of the chemical industry. The main disagreement has arisen over some scheme for nationalising rented agricultural land. This is favoured by Mr Bevan and his friends; for some people less to the Left of the party, it has the attraction of combining a fine Socialist ring with the practical merit that the actual transfer of ownership could be piecemeal and very gradual. Some of the policy-makers, however, are less cynical and appear still to be standing out against any sort of land nationalisation.

The only other disagreement—or, at least, the only one that has leaked out—separates politicians of all brands from the trade union leaders: the politicians want to propose a new social security tax, graduated according to income, while the unions prefer to stick to the flat-rate "insurance" principle—and are likely to have their way. In general, the temper of the discussions leaves no doubt that this autumn the Labour Party will have a better chance of uniting itself than for many years past. Many slips, however, are still possible; and it remains in any event to be seen whether a policy that unites the party can be made attractive to the marginal voter.

A Guarantee for France

M. MAYER'S visit to Washington has produced one striking result: in a guarded but unmistakable way, President Eisenhower has committed American forces to indirect military support of the French effort in Indo-China. The war against Vietminh, together with that in Korea, has been defined as part of a common action, and China has been warned that any intervention in force against the Vietnam during the period of an eventual Korean truce would be regarded as a violation of that truce. This is the kind of American guarantee that France had, up to now, been unable to obtain and M. Mayer can justly claim to have achieved something of a diplomatic triumph.

With respect to the outstanding problems in Europe, the results of the Washington talks were less spectacular. M. Mayer reasserted his determination to press for the promptest possible ratification of the EDC treaty, but no agreement was reached on the vexed question of the Saar. Mr Dulles was unable to see why a solution to the Saar problem had to come before the ratification, so it is unlikely that Washington is prepared to champion the French case when Dr Adenauer arrives early this month. It is increasingly clear, on the other hand, that some form of mediation by America, and perhaps Britain, will prove to be the only way out.

The subject of increased aid to France and long-range planning for off-shore purchases was deferred for consideration at the next meeting of the North Atlantic Council on April 23rd. As to convertibility and American import policies, it was felt that both issues needed further study, particularly within the framework of OEEC. In short, M. Mayer's visit produced clarification rather than solutions. To what extent Dr Adenauer will be able to derive advantage from this fluid situation remains to be seen.

Stalinism without Bars?

THE new rulers of Russia have started their reign with a most impressive act of clemency. In Tsarist times the birth of an heir, royal celebrations or accessions were occasions for showing mercy. The Bolsheviks in the early days proclaimed amnesties almost every year. But all this changed under Stalin. The last large-scale amnesty took place in 1927, when mass concentration camps were not yet an inherent feature of the Soviet regime. Since then batches of prisoners have been released from time to time, particularly just after the war; but there has been no act of general pardon comparable in scope with the one now proclaimed by Moscow.

On paper, at least, the new decree promises freedom to probably half of the victims of the notorious concentration camps. All those condemned to less than five years' imprisonment should be freed at once; those serving longer sentences should have their terms halved, with the exception of specially dangerous gangsters and "counter-revolutionaries." The camps are no longer as crowded as they were in the late thirties after the purges, but even conservative estimates still put the number of inmates at somewhere between two and three million. Thus, if the decree is to be carried out hundreds of thousands should soon be swarming on Russia's roads as they return from captivity.

The new move is the more striking because Stalin's reign ended on a note of alarm, with a vigilance campaign clamouring for greater discipline and harsher penalties. A few weeks ago the same men, acting as Stalin's mouthpieces, were issuing warnings that Russia is still infested with "remnants of bourgeois psychology." Now they argue that an amnesty is possible because of "the honest attitude of the citizens towards the implementation of their duties."

The inhuman concentration camps must have been the most hated feature of Stalinism. Malenkov and his associates could not, therefore, have devised a better measure to sap the cult of Stalin and to increase their own popularity than this proclamation of general pardon. Special indulgence is shown in the decree towards offences committed in an official capacity, thus showing that even the bureaucracy reared by the regime was choking under police supervision. Yet, the camps were only the extreme form of a whole system of coercion that seemed inseparable from Stalinism. The weakening of one link is bound to increase the pressure on the other links in the chain. Are the new rulers willing and able to evolve a new form of "Stalinism without bars"? or will it all end with the release of some petty criminals? Will the new promise remain as empty as Stalin's own promise of democracy contained in the constitution bearing his name? The fact that the gesture was made so soon after the Leader's death is a clear recognition that Russians have not lost their thirst for freedom.

Dark Horse from Sweden

DR Dag Hammarskjöld, whom the Security Council on Tuesday chose as the next Secretary-General of the United Nations, was described in the press this week as "a politician little known in international circles." This highly inaccurate phrase did scant justice to a very remarkable man, who has in fact become internationally known without passing through the mill of party politics. Although Dr Hammarskjöld ranks as a minister without portfolio in the Swedish Cabinet, his function is that of deputy to the foreign minister, Hr Unden, with special regard to economic affairs. Since 1947 he has played an important role in the European conferences concerned with the Marshall Plan and OEEC, and has greatly impressed his colleagues by his penetrating analyses of difficult problems. Many Swedes consider him to possess the finest brain of any of their countrymen.

There are surprises in store for those who expect the replacement of one Scandinavian by another at the head of the UN Secretariat to mean no change at all. There could hardly be a more striking contrast than that between Dr Hammarskjöld and Mr Trygve Lie. The retiring Secretary-General was a veteran of Socialist politics, a bluff and colourful personality whose tactics were guided by instinct as much as by reason. Dr Hammarskjöld belongs to no party and has never fought an election or made a campaign speech; his background is that of a Treasury official. The

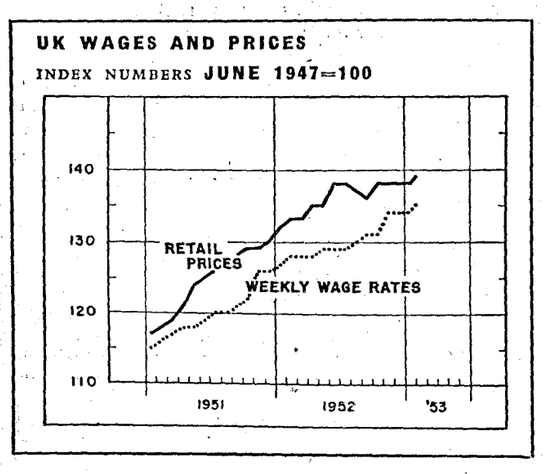
fact that he is not only Swedish but also unencumbered by having taken up a precise political position must have made him more acceptable to the Great Powers. In his published works he has, however, argued cogently that a democracy such as Sweden cannot take up an ideological middle position in a divided world. The Russians, with whom he has from time to time had dealings on delicate issues, can have few illusions about his malleability—a fact which makes their ready acceptance of his nomination all the more interesting.

The Unions and Productivity

THE British Productivity Council, the TUC and the general secretary of the United Society of Boilermakers, Mr Hill, have got themselves into a fine but unnecessary tangle over profits, productivity and wages. Mr Hill, whose followers have always been piece-workers, reminded a conference summoned by the Productivity Council that higher productivity was undoubtedly important, but that this fact had to be explained to "the bloke in the shop." And the bloke in the shop, according to Mr Hill, would not co-operate if higher productivity was merely going to mean higher profits for employers. Several other trade unionists said the same thing, but Mr Hill was the only leading member of the TUC who criticised in any way the Productivity Council's activities or methods.

He thereby drew an official rebuke from the General Council; there followed an explanation by Mr Hill of what had happened at the council meeting, a denial by Sir Vincent Tewson that Mr Hill's account had been accurate, and a denial by Mr Hill of Sir Vincent's charges of distortion. The last two exchanges were conducted in writing, with both parties sending their letters to the press as well as to each other. As yet, however, the quarrel has left Mr Hill apparently unperturbed at his union's headquarters in Newcastle and Sir Vincent Tewson firm, but apparently rather confused, in Transport House.

Unless more is learned about what actually happened both at the conference and at the meeting of the General Council, there is no point in trying to judge whether Mr Hill has really been disloyal to the General Council or to the principles of helping to increase productivity that it has embraced. The incident is important, however, because it shows how unreal a mere endorsement by trade union leaders of managers' platitudes about productivity is bound to be. In one sense, the need for productivity is old news to piece-workers like the boilermakers. It is disturbing to those, whatever their method of payment, who have been hit by unemployment and who are openly afraid of "working themselves out of a job." The Productivity Council's message—that Britain must produce and export more goods more cheaply—still needs a lot more explaining than it usually gets. In so far as this was Mr Hill's point, no one tried to argue with him at the conference, and no one should.



Caution on Local Government

MUCH as the two political parties shrink from being the first to produce legislation reforming local government areas and powers, one or other will have to do it eventually. It will doubtless produce a good deal of trouble whatever the merits of the scheme. But the discussion has at least been carried a useful stage further by the recommendations of four of the local authorities' associations—county councils, urban district councils, rural district councils and parish councils. These will not, of course, be to the liking of the county and municipal boroughs, whose views on the expansion of town and city boundaries would hardly be met. In general, the latest recommendations endorse traditional conceptions, and are indeed prefaced by the exordium that "the existing framework . . . has proved to be not only satisfactory but also so flexible as to be capable of modification and evolution without of necessity any alteration of structure."

From this standpoint, the four associations endorse the two-tier system of local authorities in the administrative counties, with the addition of a third tier—parish councils—in the rural districts. There are no proposals for merging rural and urban districts, or for other changes that would increase the financial powers of the smaller authorities. There is a useful attempt to straighten out the often haphazard arrangements about which authority is responsible for which service.

On the major question of boundaries, the associations recommend merely that, for "the creation of effective and convenient units of local government," the Minister of Housing and Local Government should undertake a review of the counties in England and Wales, with the power to alter boundaries; thereafter the counties should undertake the same task *vis-à-vis* county districts, with joint committees to settle the exact devolution of powers. The scheme thus favours voluntary organisation against imposed orderliness—but it hands back to the Government of the day both the job of demarcating the boundaries of the great conurbations (and their two-tier government) and also, in effect, the settlement of disputes between the county boroughs and the county councils. An acceptable compromise between the interests of town and country remains to be found.

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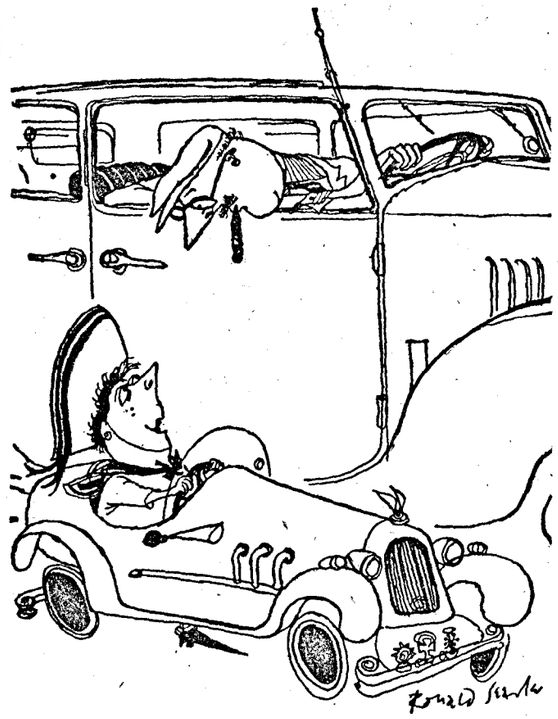
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Character versus Brains

How to choose the right people for the universities is in any circumstances a difficult problem; it does not appear to be made any easier by the Minister of Education's new circular to local authorities.

The present procedure is that a candidate gets himself provisionally accepted by a university and then applies to his local authority for an award. Both the place and the award are granted on condition that the candidate reaches a certain standard in the examinations, which he usually takes after these provisional arrangements have been made. The required standard laid down by the working party on university awards in 1950 was a General Certificate of Education in two subjects at advanced ("A") level. But in practice many students have found that a more exacting standard is required of them—sometimes by the university faculty, sometimes by the local authority, sometimes by both. A recent survey by the Incorporated Association of Headmasters showed that only three out of 23 authorities in two northern counties were content with the two "A" passes; the others all wanted at least three.

In these days when examinations are regarded as a form of cruelty to children, such requirements are thought to have an unduly cramping effect on the curriculum. Certainly the universities have grounds for complaint if the effect is to send them people who have crammed their three subjects and know nothing else. It is therefore sensible to ask local authorities once again not to insist on more than two "A" passes as their minimum requirement. On the other hand, they cannot finance all pupils who reach this standard. The Minister says they should choose among the qualified candidates by setting up special panels to assess their "personal qualities"; county awards should be regarded not as prizes for outstanding students but as "assistance for students of good all-round quality for whom it is in the public interest that a university education should be provided."

But how is the right combination of academic prowess and "personal qualities" to be judged? The universities themselves should be best qualified to decide. Most of them insist on interviewing candidates and take headmasters' reports into account. There seems some danger that the local authorities, by applying non-intellectual criteria, will only complicate and confuse the choice. If that happens the universities have, however, themselves to blame, since the Minister's circular is based on an agreed statement by representatives of the universities and local authorities.

Italy Votes its Bill

President Einaudi's signature of the new Italian electoral bill on Tuesday has greatly reduced the Communists' chance of gaining power at the polls on June 7th. Knowing this, they have fought the bill tooth and nail at every stage. They filibustered for weeks in the Lower House during the winter; and it was only at the end of last week, after a long struggle against obstruction culminating in a continuous sitting of 77 hours, that the government managed to get the bill through the Senate by a snap vote which caught the Communists off guard. They were in fact so busy fighting and throwing things at the government benches that they missed the roll call. This, however, gave them an excuse to brand the vote and the passage of the bill as invalid. In an attempt to prove this, they called a lightning general strike of protest, but this has been a fiasco, as it was opposed by the Socialist and Christian Democrat trade unionists.

There must be genuine doubts about the morality of what the government has done. The effect of the bill is to award a substantial bonus of seats to the party, or bloc of parties, which leads at the polls. This is reckoned to rob the Communists of the advantages they gain from proportional representation. But in favour of the manœuvre there are two things to be said. Under the new bill every party still stands an equally fair chance of reaching the top of the poll and thus gaining the bonus; indeed an outright Communist win cannot be entirely discounted, though it is most unlikely. Secondly, modern democracy has been forced by the Communists' own tactics to defend itself. Quite apart from unscrupulously attempting to hold the country to ransom by means of political strikes, their attempt to turn parliament into a rough house is aimed at discrediting the whole parliamentary system.

Naumann Changes Hands

Dr Adenauer has again had the courage and honesty to assure the Christian-Democrat press that the British were justified in arresting the Naumann group, and that Germans should be grateful to them for taking this action. The Chancellor refuted the assumption that the High Commissioner had handed over the arrested men to the German authorities because he had insufficient evidence to proceed himself against the majority of them. It was to be expected that the German popular press would jump to just this conclusion, especially as it had spread the report that the real reason for the action was that Naumann and his associates were business competitors of the British in Egypt. Dr Adenauer has proved once more how wrong it would be for the British to adjust their policy to wrong headed elements in Germany which will always be hostile to this country, whatever it does. With the outstanding exception of the Chancellor, the Germans who welcome the British exposure of neo-Nazi infiltration into the Free Democratic Party and the other right-wing parties are silent; but that does not mean that they do not exist and should not be heartened by evidence of British resolution.

Dr Adenauer broke part of the veil of secrecy that has surrounded the investigations. The Naumann circle had, he said, received money from British, French and other Fascists, and had been in touch with Nazis who had emigrated. He mentioned the former SS man, Otto Skorzeny, who escaped from an American camp some years ago and had been reported to have business interests in Spain and Cairo. The Chancellor could not say that there was specific evidence that the Naumann circle had also received money from Eastern Germany, but he indicated

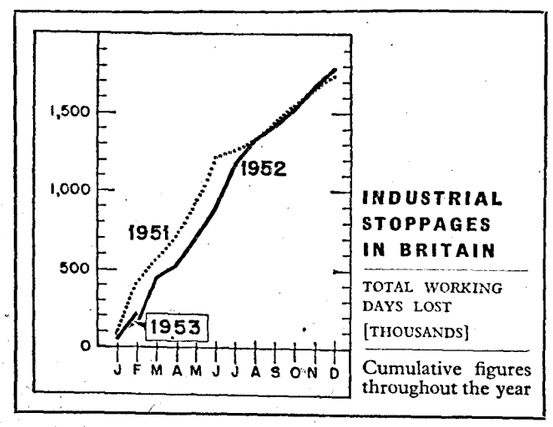
that this might be assumed. Whatever emerges in this connection from the Naumann case, it is an indisputable fact that some link with pro-Russian or Communist organisations in the Soviet Zone is constantly cropping up in connection with the activities of former Nazis. Moreover, the Fascist international at some points seems to touch the Communist international. This is not so surprising as it might appear, for both have a common bond in hostility to the West. The German neo-Nazi who plays with Russian proposals for an armed "neutral" united Germany, or who refuses to follow American-sponsored bans on trade with the eastern zone, considers himself to be a German patriot who is showing "the Western enemy" that his country will not be bound to American or British "shackles." This is the type of man against whom Dr Adenauer is fighting—the man who thinks that Germany needs no friends.

Party Cell to Prison Cell

On March 24th the French police arrested a number of Communist trade union leaders and M. André Stil, the editor of *l'Humanité*. A warrant was also issued for the arrest of M. Benoît Frachon, general secretary of the Communist-dominated *Confédération Générale du Travail*. Although a defiant article has appeared over his signature in *l'Humanité*, his whereabouts are still unknown and it is believed that he has either escaped to the Soviet zone of Austria or has gone underground in France itself, following the example of half a dozen other Communists for whom the search has been on for several months. This new series of arrests is part of a general effort by the French government to break the charmed circle of parliamentary immunity within which the Communist leaders have been working and to make clear the clandestine nature of their programme.

It is difficult to see just why the government acted at a time when French Communism is involved in a profound crisis and when, more than ever, it needs martyrs. By removing such men as M. Stil from the party cell to the prison cell, moreover, the government may unwittingly help the Communists to allay the keen inner rivalry of various strong personalities within the central committee of the party. Finally, there is the fact that this move by the police coincided with M. Mayer's departure for Washington, thereby lending colour to the propaganda argument that France's Ministry of the Interior is run from the Pentagon. On the other hand, the government, and particularly M. Pleven and M. Brune, may have wished to demonstrate once and for all that the Communists were no longer a threat to the security of the state and that their backbone of militant action was snapped. They were proved right: despite a barrage of appeals for work-stoppages and demonstrations, the response throughout France was one of apathy tempered by derision.

This indifference on the part of the working classes and the deep *malaise* which has plagued French Communism over the past year, have made the return of Maurice Thorez more urgent than ever. His absence from Stalin's funeral, together with numerous reports and rumours of his total paralysis or even death, had made it appear as if there was no more possibility of his return. Now we are told that the latter is only a matter of days. If M. Thorez is able to come home from Moscow, even on a stretcher, the Communists may have the messianic symbol which they so badly need for the municipal elections in a few weeks. The one thing they will not obtain, however, is the sight of barricades against the arbitrary actions of the governments, and this despite the fact that Paris has so often thought of early summer as a time for tocsins.



Economics of Baby-minding

There have been protests in Parliament because several local authorities, notably the Kent County Council, have closed some or all of their day nurseries. This has also raised in its acutest form the problem of what a woman's work is worth inside and outside her home. The cost per head of keeping a child in a day nursery varies from thirty-five shillings a week to five pounds, according to staffing ratios and amenities. The average wage of adult working women is just under four pounds ten shillings a week. As a matter of plain arithmetic, this means that the full cost of the productive services of a working woman who sends her children to a day nursery may easily be both her actual wage, paid by the employer, and an equal amount paid through the local authority that looks after her children. Where several children must be cared for, the full cost may be several times the value of the product—a wildly uneconomic transaction. Where nursery costs are highest it would pay, hands down, to give the mother of two or more children her full market wage, plus a substantial bonus, simply to mind her own babies at home. That normally gratuitous job turns out, when actually priced in the market, to be more valuable than most other occupations open to those doing it.

This hard-headed arithmetical conclusion does not translate easily into practical policy. Not even the wildest speculations of welfare Utopians have included a universal payment to mothers of the market value of their work as child-minders. There might be a case for making such payments, as an alternative to the provision of day nurseries, only to those women who would suffer special hardship if they could not go out to work—to widowed or deserted or unmarried mothers, or to wives of disabled husbands. But an economic payment to such people would make them better off than many normal wives dependent on a breadwinner's earnings.

The problem must in fact continue to be fudged rather than solved. Those authorities whose nursery costs are highest should emulate those who have kept them down. The Kent scheme of "minders," avoiding the capital and upkeep expense of nurseries, offers an economical substitute. And it is probable that a nursery service run in part as a frankly commercial proposition, a babies' club for paying members, would earn enough from mothers valuing an occasional day of liberty to contribute substantially to the subsidised service for necessitous wage-earners. Almost anything would be better than a policy of first installing extravagantly expensive nurseries and then, by closing them down, driving their clients abruptly on to national assistance.

Living Costs in Cities

How much more does it cost to live in New York than in London, in Paris than in Rome? Such questions are of continuous importance to firms and governments with representatives in different countries. In order to help other employers to determine appropriate allowances, the Statistical Office of the United Nations has published the results of a study designed to meet its own needs in fixing salaries for international staff.

Living costs in a number of cities have been measured by pricing in each over one hundred items representative of the goods and services bought by international civil servants; wherever possible, account was taken of the different patterns of spending reported by the United Nations staff in these cities. On this basis, the level of prices in any one city was compared with that in New York. Many of these estimates were made twelve months or more ago; in the table, a selection of them has been brought more up to date according to movements in the local cost of living indices—a rough adjustment, but probably not too wide of the mark for this purpose.

COST OF LIVING FOR SALARY-EARNERS
(December, 1952; New York City=100)

	Food	Housing	Clothing	Total†
New York City	100	100	100	100
Copenhagen	65	53*	106*	75
Geneva	105	66	101	91
The Hague	71	47	110	72
London	60	79	94	75
Mexico City	87	...	121	90
Paris	95	100	121	100
Rome	98	90	82	89

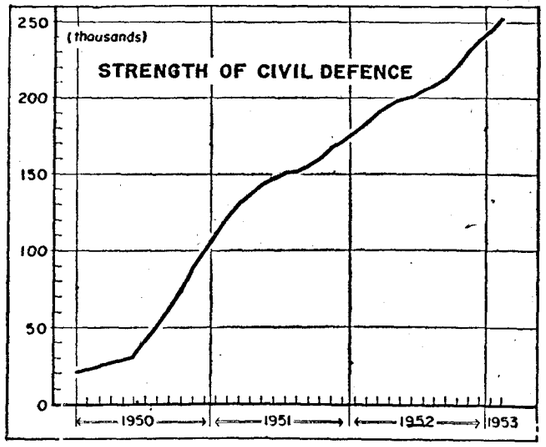
* At July, 1952. † Including other items.

These figures do not compare the general level of prices; they relate only to the expenditure of salaried staff who are mostly newcomers to the area. Rents, for instance, are those likely to be paid for houses immediately available. The difficulties of obtaining truly comparable prices on such a basis are obvious, and several improvements may be expected in the further surveys that are contemplated. But, even allowing for their limitations, these estimates show clearly enough the wide differences between living costs in the big cities, when local prices are converted into dollars at the official exchange rates. One feature is striking: price increases of the past few years have not destroyed London's position as about the cheapest city in the world in which to eat.

New Tasks for Civil Defence?

The civil defence corps in England and Wales is now over a quarter of a million strong. Recruitment has been speeded up by house-to-house canvassing, but the most vulnerable areas are still the most thinly manned: it is in the country districts where no bombs will fall that people are most ready to spend their evenings on civil defence. In the eastern and south-western regions there are more than nine civil defence workers to every thousand of the population, but in London there are fewer than four.

The apathy of the city dweller can be dispelled only by taking the atom bomb out of the realms of unimaginable horror and showing it as a measurable disaster. In London a series of tactical exercises has been designed to show the local authorities the actual problems they would face in an atomic attack; in July, for example, an imaginary bomb will be exploded over the docks. Another injection of realism is the film shortly to be released to civil defence units all over the country; it shows that the area of complete destruction would be limited and that much damage and loss of life could be prevented by prompt action—even though there are no shelters.



All this, however, is preaching to the converted, for the exercises and the film will be seen only by those already in training. The unconverted would be less likely to regard civil defence as a waste of time if the corps had a peace-time function as well. The help given by civil defence workers in recent disasters such as the Harrow train crash

and the east coast floods has prompted the idea that such work should be officially included in their duties. Some local units are voluntarily seeking such responsibilities, but questions of insurance and compensation for injuries received in peacetime emergencies are involved. It is disappointing that Home Office deliberations on such difficulties have as yet reached no conclusion. An extension of civil defence functions would not only be useful in peacetime but would help to bring in the recruits without whom enemy bombs would be twice as effective. The legal difficulties should not be allowed to cause long delay.

New Bosses in Czechoslovakia

THE heirs to President Gottwald of Czechoslovakia are clearly determined to make all they can out of their dead leader's popularity, in the belief that a powerful Gottwald myth will prove the best foundation for their own pretensions. "The people regard every Communist as an embodiment of a particle of Comrade Gottwald"—this phrase from *Rude Pravo* is only one example of the eulogistic, not to say mystical, heights reached by comment on the dead president; and it was not for nothing that the same newspaper spoke of "our mighty Lenin-Stalin-Gottwald Party."

It is unlikely that the changes in the Czechoslovak government will increase the stability of the Communist regime. Mr Zapotocky, the former premier, is the new president; but, in spite of the many tributes to the "closest collaborator of Comrade Gottwald," it is plain that he will not be able—or will not be allowed—to turn the office into the dominating role that Gottwald made of it. Mr Nejedly, the aged vice-premier, who may himself have aspired to be president, has described the situation with brutal frankness; "Gottwald cannot be replaced; Zapotocky cannot become a second Gottwald. This is why he is not alone."

In party affairs the new president will be checked by Mr Novotny, who has risen rapidly in recent years under Gottwald's auspices, and has now been entrusted, in rather vague terms, with the direction of the central committee of the Communist party. In affairs of state Mr Zapotocky must reckon with the new premier, Mr Siroky, a veteran Slovak Communist and former vice-premier. His influence will largely depend on his relations with the vice-premiers composing the government praesidium, or inner cabinet, set up last January by Gottwald in order to concentrate—on the Moscow model—the regime's administrative control. Neither president nor premier is likely to have an easy passage with the praesidium's two most powerful and ambitious members; Gottwald's son-in-law and the Minister of Defence, Dr Cepicka, and the Minister of National Security, General Bacilek. It was these two who accompanied Gottwald to Moscow for Stalin's funeral.

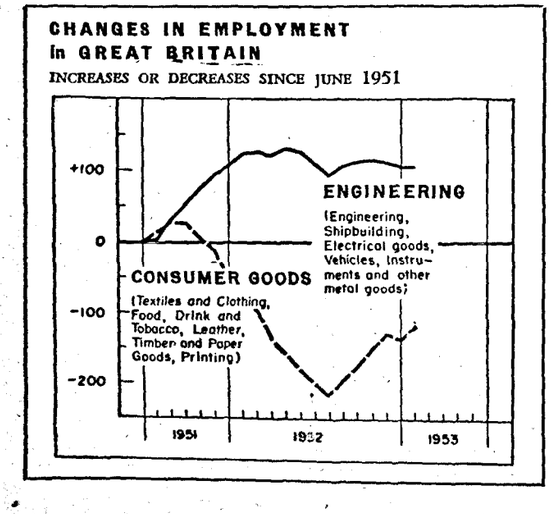
Turkey's Trade Troubles

IT is an unfortunate paradox that Turkey's trade difficulties have been aggravated by the energy and initiative it has shown in modernising and developing its economy, especially its agriculture, and the success which has attended its efforts. For the first time the Turks have a large grain surplus on their hands, in addition to considerable quantities of cotton and dried fruit; but the heavy imports of machinery which have made possible the development of agriculture (as well as of industry) have played a large part in upsetting their trade accounts and they have not been able to redress the balance by selling their agricultural surpluses. This is particularly the case with Britain. Whereas in 1950 the Turks had a visible trade surplus with this country of £2,500,000, in 1951 they found themselves with a deficit of £14,625,000, and last year this soared to £26,125,000.

This yawning deficit, largely due to heavy imports of machinery, has been troubling the Turks for some time. Last week a somewhat critical speech by the secretary of the British Chamber of Commerce in Istanbul led the Minister of Commerce to threaten discriminatory measures against British imports. He argued that other European importers of Turkish grain, cotton and dried fruits did not, as did the British, complain of their price or quality, and suggested that Britain was interested in buying only from the countries in which it was anxious to sell.

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These trade difficulties should not be allowed to impair the friendly relations between the two countries; and it cannot be too strongly stressed that no official policy is responsible for the failure to find markets in this country. Private importers agree with Government buyers that the fault lies in the price and quality of Turkish goods; and since a large part of British trade with Turkey is in private hands, the ability of the Government to help is limited. But it could make a renewed effort to reach agreement on the purchase of Turkish coarse grain; and the Turkish Government, which has been enforcing since last autumn a stringent general restriction of imports because of its difficulties with EPU, could refrain from carrying out its threats of discrimination.



Mao's Good Bargain

THE terms of the economic agreement signed last week in Moscow between China and the Soviet Union must have been greatly influenced by the growth in Mao's stature following Stalin's death. The new agreement is additional to the vague economic pact signed between the two countries in September of last year. Chinese delegates had remained since then in Moscow, bargaining hard for Russia's aid, but the deal was clinched almost immediately after Stalin's departure. The protocol itself does not show explicitly Russia's concessions since, like its predecessors, it does not state the volume and the value of goods exchanged. Yet China's gain is revealed by the emphasis in the communiqué on Russian supplies of equipment for China's industrialisation.

Hitherto there has been very little evidence that any substantial part of the apparently generous economic aid promised to China in the Sino-Soviet pact of 1950 has in fact been delivered. Indeed, Soviet propaganda has been at pains to prove that its chief contribution to Chinese development should be through the sending of experts and technicians. We must teach the Chinese, it argued, to produce their own machinery. Now Russia binds itself to provide equipment for China's metallurgical, mining, machine construction, chemical and electrical industries. Another protocol provides for Soviet assistance in the electrification drive. China, in exchange, will provide Russia with more of its traditional exports, such as non-ferrous metals, foodstuffs, wool, jute and raw silk.

The Chinese are earnest about their Five Year Plan of industrial development. In the greatly increased budget for this year published recently some 45 per cent of total expenditure is earmarked for "national construction" and over one-quarter just for industry and transport. China, however, has not a sufficiently strong basic industry to carry out its own industrialisation rapidly. To quicken the pace it needs Soviet equipment as well as the experts. Hitherto the Soviet bloc was begrudging its scarce machinery to its economically most backward partner. Now, in times of stress, Moscow seems to be willing to pay this price to keep the ties with Peking as close as possible.

Needling Nato

LORD MONTGOMERY does well to continue his needling of Nato, which is of course only a prodding of the governments which neglect the nascent Atlantic community. But it is curious that he should have insisted so much, in a speech this week, on a centralised political authority under which he and his superior officer, General Ridgway, could work. Such an authority exists in the Atlantic Council, but it is doubtful whether the generals would take too kindly a masterful exercise of its powers. Last year there was talk of the Council instructing the Supreme Commander to restrain his officers—notably General Juin—from making political speeches. But they continue to do so. For Lord Montgomery there is this to be said, that his comments are always designed to disturb complacency and to remind people of the nature of the cold war.

The trouble is that no member of the Atlantic Council in permanent session, except Lord Ismay, is sufficiently well known to get Nato into the headlines with a speech. So long as the deputies to the Atlantic Ministers are permanent officials, however efficient, the Atlantic Council will lack character and power. President Eisenhower, a former Supreme Commander himself, must know this well; and it is disappointing that he has not yet found time to put in the word for Nato that everyone has expected. The explanation is, doubtless, that he has been too busy; but it can be fairly argued that the deliberate building up of the Atlantic group in its political and economic functions would be the best contribution to political warfare that Washington could make. With the Council's next meeting only three weeks off, it is to be hoped that thought is being given to this not only in Washington and London, but also in Ottawa, which has shown leadership in the past in this respect.

Who Shall Educate Them?

Every one is aware that there are many candidates for the honour of directing the education of the people. The Church claims it; the Dissenters claim a large share of it; the gentlemen who profess the doctrines of the Manchester system claim it; the journals claim, and, in a great measure, actually direct a most important part of the public education; masters and workmen claim it for their apprentices and their assisting boys; and mothers very generally claim it, to a very considerable extent, for their offsprings. For the great mass of the lower classes, who are themselves too much engaged in toil and too ignorant to give instruction, except in their own most useful labours, it has for some time been expected that the State should, in some way or other, provide education. . . . As the State formerly undertook to regulate trade and to increase the national wealth—as it at all times undertakes to repress and punish crimes, it is generally concluded that it is bound to teach youth how to avoid being criminal, to acquire habits of industry, and to perform all the duties of men in society. Our infants are said, in our popular poetry and our popular prose, to be given up to misery and crime, because it is not yet decided who shall educate them and what education shall be given them. "Who bids," says Mr. Charles Mackay—

"Who bids for the little children—
Body and soul and brain?
Who bids for the little children—
Young and without a stain?
Will no one bid," said England,
"For their souls so pure and white,
And fit for all good or evil
The world on their page may write?"

"We bid," said Pest and Famine,
"We bid for life and limb;
Fever and pain and squalor
Their bright young eyes shall dim.
When the children grow too many,
We'll nurse them as our own,
And hide them in secret places,
Where none may hear their moan.". . .

From the contests between sects, education has been so delayed, so confused, and perhaps perverted, that by common consent—we may say even by urgent general demands— the time has come when the State must deal largely and liberally with the subject, or be prepared to make default, and acknowledge that it is incompetent to fill the duties generally required of it.

The Economist
April 2, 1853

Letters to the Editor

Australia

SIR—I have read with a good deal of interest the supplement on Australia in your issue of March 7th. There is, however, one serious error to which I should like to draw your attention, as it concerns the production of wool, Australia's most important primary product. In the first line of Table III on page 686, the figures for wool production do not refer to the wool clip, but "factory" output of scoured and carbonised wool from Australian establishments. The official figures for the total raw wool production (in million lb. greasy equivalent) are as follows:—

1938-39	984 m. lb.
1948-49	1,030 „
1949-50	1,110 „
1950-51	1,092 „
1951-52 (a)	1,052 „

(a) Subject to revision.

The most recent official estimate for 1952-53 is 1,175 million lb. greasy; if this estimate is realised, and there are already signs that it may indeed be exceeded, it will be a record clip. I draw your attention to this very necessary correction, because of the extreme importance of wool to the Australian economy, and also because the correct figures give a rather different impression of the trend in primary production from the ones you have used.

Attention might also be drawn to an obvious error in Table I on page 685, where the figure of 1,200 million lb. is quoted as the increase in wool production aimed at over the next 5 years; actually 1,200 million lb. is the target figure of total production. It will be seen that good seasonal conditions have already brought the 1952-53 clip close to this target.—Yours faithfully,

R. B. McMILLAN

Bureau of Agricultural Economics, Melbourne

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SIR—The wool growing industry is certainly a "major export industry"—indeed it is more important for Australia than all others taken together—but it is *not* one of which you are entitled to say that "high prices masked a considerable fall in production" (p. 689). The only year for which your statement has a semblance of truth is 1951-52, in which production was adversely affected by drought. This factor is entirely neglected in your discussion of Australian primary production in general, and you allow yourself to draw pessimistic conclusions on the basis of a single abnormal year. The current season shows considerable recovery in wheat, meat and dairy products as well as wool.

The wool scouring industry should properly have been included among the "selected secondary industries" in your Table IV. So, too, should a number of other industries which have also had a chequered postwar record, e.g., ladies' and children's hosiery, woollen and worsted yarn, slipper making and chocolate manufacture. Had such industries been included, your table would not have shown the uniform pattern of secondary industrial expansion which you claim exists.

Finally, it should be observed that the results of disinflation in Australia are only now becoming clear and adequate statistics thereon will only become available later this year. Your conclusion that the results for *last year* were "startlingly different" from those that appeared in Canada (p. 613) is, therefore, somewhat beside the point and seems to be based mainly on statistics for the 12 months ended June, 1952.—Yours faithfully,

WILFRED PREST

University of Melbourne

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SIR—Your supplement of March 7th seemed to neglect a most important factor. The conditions existed in Australia which of themselves would have led to rapid industrialisation without governmental encouragement.

It is true that as a result of the '30s Australia was apprehensive about the long term prices of primary products, and consequently readily sought and agreed to international and bilateral agreements on quantities and prices. As it turned out, the prices obtained under these agreements (which, with the notable exception of wool, covered the principal Australian exports) were much less than those prices which could have been obtained on the open market. On the other hand, imports were the subject of no such agreements. It was found that a wide range of goods could be manufactured more cheaply than they could be imported. In many cases, in the immediate postwar period, due to the low priority accorded the Australian market by U.K. and other manufacturers, goods were just not available to the Australian consumer. Hence, high profits awaited the Australian producer, especially in those industries that could be quickly established. Except in wool, it became profitable to switch resources from primary production to secondary industry and it would indeed have been surprising if the trends against which your strictures are directed had not emerged.

It is agreed that a sector of Australian industry is "uneconomic," but what is the size of this sector? Does it represent anything more than marginal industry which it is difficult, if not impossible, to avoid in a period of rapid expansion? The problem of the marginal firm and industry is not peculiar to Australia, nor does it seem to be more significant in the Australian economy than elsewhere.

It is generally agreed that in an economy such as Australia's, high standards of living reflect high levels of productivity. Your implication had been that productivity in Australia was wrongly directed and was not high. Yet no attempt was made to explain or even suggest how the admitted high living standards, together with a high level of saving, were being maintained.—Yours faithfully,

Geneva L. K. CARLYLE

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The Roots of Mau Mau

SIR—May I call your attention to an error of fact in the article headed "The Roots of Mau Mau" on page 790 of your issue of March 21st? You say:

> "The widening areas of disturbance, which is already costing £250,000 a day. . . ."

At the last session of the Legislative Council I stated that the emergency was costing between £200,000 and £250,000 a month.—Yours faithfully,

E. A. VASEY

Farm Policy in the Making

SIR—The article in your issue of March 28th shows a lack of appreciation of the present structure of the egg producing industry. The young hen, or pullet, starts laying about the beginning of September, and during 12 months lays about 180 eggs. At the new floor price of 4s. per dozen the annual income per hen is, therefore, guaranteed at 60s. Under the new food prices her food will cost about 45s. per annum, or 3s. 9d. per month. Of the 180 eggs about 100 will be laid by the end of February, but these 100 eggs will have yielded two thirds of the total annual income, while the hen will have consumed only half of her annual food. During the remaining 6 months from the beginning of March to the end of August the hen's food consumption will be half the annual total but her egg production will be only one third of the annual cash total. In addition the carcase value of the hen is considerably more at the end of February than it is at the end of August. Therefore it is touch and go whether it is worth the egg producer's while to produce eggs at all once the price per egg falls below about 4d. It is obvious from this that the type of floor price you suggest is completely out of touch with reality. Egg producers can no more work at a loss than anyone else, and most of the hens would be dead long before your "reasonable" two or three months were up. The Government is not quite so foolish as you appear to suggest.—Yours faithfully,

ROGER CHAPMAN

Bettws, Mon.

Books & Publications

Comrades in Conspiracy

EUROPEAN COMMUNISM.
By Franz Borkenau.
Faber. 564 pages. 42s.

THE secret of Communist success in Europe has lain in the expertness of the Party's tactics and organisation. "It is the innermost meaning of Leninism-Stalinism," says Mr Borkenau "to segregate a small *élite* from the masses. This *élite* alone knows the real meaning of the whole movement, and in consequence the real meaning of its tactical moves." Communism would be finished if its exponents could be prevented from underground, secret conspiracy and forced to use ordinary democratic methods. Then their means could be measured against their ends and would be rejected by every humane and rational person. That may well be true, coming from an ex-Communist who has specialised in the study of party conspiracy; *and what this book does is* to provide evidence, stretching back to 1919, of the unscrupulous opportunism with which Stalin and his foreign disciples have manipulated the political movements of the working class and the loyalties of the intelligentsia.

The story is of incredible deviousness and intricacy; it should cause great discomfiture to all comrades now preparing for Malenkovism. It falls into four parts. First Mr Borkenau studies the origins of the Comintern, culminating in the utter failure of the German Communists in 1933. Then he analyses the strange story of the Popular Front against Fascism, with France emerging as *the great hope of international* Communism. Then come the ups and downs of the Party line, first for and then against Hitler, culminating in the effort to seize power in Western Europe after D-day. Finally, the narrative comes to the recent past: the crisis of liberation, the founding of the Cominform, the establishment of the "popular democracies" and the decisive alignment with the West of Tito—a rebel, in Mr Borkenau's view, of the left not of the right, an ally of Zhdanov's in the protest against Stalin's caution and dread of war. All members of the Labour Party who feel some elective affinity with President Tito's brand of "Socialism" should study this last section.

It is the thesis of this deeply interesting and valuable book that in Communist affairs "the intra-party organisation must invariably be studied first, and policy must be treated as its consequence." And there are other arguments advanced by the author which will help in the interpretation of the post-Stalin developments in Russia. By studying the reasons for Zhdanov's failure—the Berlin blockade marked the end of his aggressive policy—it is possible to see further into the mind of his great rival, Malenkov. Russia cannot and will not risk world war for some time to come, and will try to split the West by manœuvring the United States into aggressive postures. The order has gone out to return to the tactics of the united front, even if that means—as it did in the late 'thirties—collaboration with the European Right. The crisis in the French Communist party now suggests that Mr Borkenau is right.

To many readers who have not seen the work of Rossi, Woodhouse and others the account given of Communist wartime activity in Greece and in France—the best chapters in the book—will come as a disturbing revelation. How right was General de Gaulle in 1944-45 and how right was Mr Churchill when he backed the Greek monarchists as the only basis for a mass movement against ELAS. And, if Borkenau is correct in his analysis, Stalin had already decided in 1936—not 1938—that France was no reliable ally and that a deal must be made with Hitler.

The obvious criticism to make of his whole approach to his subject is that he is obsessed with the conspiratorial aspect of Communism and Russian foreign policy and therefore over-simplifies the pattern of events. But that in itself is valuable, for the most familiar error of judgment about Russian behaviour is to assume that the men in the Kremlin think, plan and act as we do. For those who are prepared to concentrate, if only on portions of Mr Borkenau's story, here is the cure. He has done the free world a great and well-timed service.

Cold Comfort Farm

PROPHECY OF FAMINE
By H. J. Massingham and Edward Hyams.
Thames and Hudson. 192 pages. 12s. 6d.

FOR some unidentifiable but obviously compelling reason, the straightforward technical question of the future terms of trade between primary and secondary products has an extraordinary power to make people lose their sense of proportion and their tempers. "Prophecy of Famine" is a ripe example of this process. The authors (Mr Massingham died before the book was completed) begin by restating, as fact, quite uncritically, the very blackest Malthusian hypothesis. Famine does not merely loom a generation or two ahead, it will be on us at any moment; by the 1960s the majority of British children may have "the aged, haggard faces of the old and the swollen bellies of starvation." We face not only the world shortage of food but the fact—again uncritically and dogmatically stated—that no one wants on any terms what we can give in exchange for such food as is going. It is not merely that they want coal rather than cotton goods, or that our prices and delivery dates are insufficiently attractive, or that in general the changing pattern of world production demands of us more technical and commercial liveliness than we now exhibit. It is simply and flatly that nothing we produce is, or ever will be again, wanted in sufficient quantities to buy our food. Our trade is conducted partly as a sort of cold Opium War (that goes for the "backward countries" of the Empire) and partly as a cap-in-hand, matches-in-the-gutter beggary (that goes for the Americas.) Presently the exploited Empire will revolt, the Americans will get tired of us, and then.... Anyway, reliance on international trade is folly in a war-threatened world. How much better, one is led to suppose, Britain could have stood up to Hitler had it been a larger Denmark.

The moral is, of course, that Britain should become as self-supporting as is physically possible as fast as is physically possible, with no pernicious nonsense about this or that form of food production being "uneconomic." Home grown food is worth what it costs, whatever that may be. This frequently repeated aphorism means, if it means anything, that the most brilliant aeronautical engineer, or chemist, or for that matter violinist, would be better employed digging potatoes, and that the City of London should be laid out in allotments. In fact the authors envisage nothing of the kind; but that is where their logic leads them. Once the absolute priority of food production is qualified, one is back in the realm of economics, of marginal calculations, of the little less and the little more; one is asking the forbidden question, "Does it pay?" The scale and data of calculation may be altered, but the economist has returned. The villain of the piece is not so easy to expel.

It is all really rather a pity. There are powerful reasons for believing that the terms of trade will indeed move further against the factory and in favour of the farm. There is a corresponding need for a realistically higher valuation on the food-producer's activities and for its effective translation into practical policy. And despite all exaggerations and irrationalities, the late Mr Massingham's vision of a partnership between man and nature, of husbandry rather than exploitation, of reverence for the soil and its vital processes, of the integration of work and life, deserves a better summing-up than "muck and mysticism." Urban intellectuals do well to remember the myth of Antæus. The common ground exists for a rational debate in which ecologists as well as economists, historians and philosophers as well as chemists, have a contribution to make. But no rational debate can be

conducted in terms of dogmatic moral superiority, bad history, worse politics, and no economics at all.

Cobden in America

THE AMERICAN DIARIES OF RICHARD COBDEN.
Edited by Elizabeth Cawley.
Princeton University Press, (London: *Geoffrey Cumberlege*.) 233 pages. 25s.

WHEN one considers how great an influence the United States had on the thinking of Richard Cobden it is rather surprising—though of a piece with British historians' neglect of Victoriana—that his American diaries should have gone so long unpublished. This oversight has now been amended in this elegant, expensive and carefully (though not impeccably) edited volume. The first of the diaries, that which Cobden kept on his 1835 trip, was extensively quoted in Morley's "Life" (though the editor makes no allusion to the fact); the second relates to his 1859 visit and was ignored by Morley. The first is full of the romantic excitement of a young radical viewing, as it were, the site of his New Jerusalem, "the soil on which, I fondly hope, will be realised some of those dreams of human exaltation, if not of perfection, with which I love to console myself." His pages are full of prophecies—"What beauties will this inner bay of New York present centuries hence," "Here [the Mississippi Valley] will one day be the headquarters of agricultural and manufacturing industry, here will one day centre the civilisation, the wealth, the power of the entire world." Nature, even more than man, excites his enthusiasm—Niagara, still innocent of industry, electrical or tourist; the Hudson Valley, as unspoilt as in one of Thomas Cole's landscapes. But, of course, to the seeker after improvement there are other spots to be visited—Auburn for the model prison, Lowell for the model mills, a New York public school "pregnant with hopes of the exaltation of the character of future generations."

By the time Cobden returns for his second visit, he has become a world figure. The diary is full of engagements —"breakfasted with the President"— and catalogues of eminent citizens met and consulted. There are more figures about the value of real estate and fewer raptures and thrills. Niagara is surrounded with "Inns, houses, railways and bridges." But it is still "a spectacle suggestive of ideas of eternity and omnipotence," and although the main object of the journey is to rescue the Illinois Central Railroad from bankruptcy, its principal British shareholder still has a zest for exploring educational establishments and going to hear Henry Ward Beecher being "affectedly unaffected" in his New York church. The whole is alive with the keen observation of a critical but sympathetic traveller, singularly free from *parti pris*, vividly and crisply described. How many contemporary travellers' diaries will read as well in 2053?

Taxes and Risks in Canada

THE TAXATION OF CORPORATE INCOME IN CANADA.
By J. Richards Petrie.
University of Toronto Press (London: *Geoffrey Cumberlege*). 380 pages. £2 15s.

THIS book discusses comprehensively and authoritatively the taxation of corporate income in Canada; it also pleads for the abolition of double taxation by the integration of the corporation income tax with the personal income tax. There are two taxes levied on corporation income in Canada. Federal and provincial governments levy income tax on profits. The Federal government levies a further tax on the same income—in effect, a tax on distributed profits—through the personal income tax paid by recipients. Dr Petrie argues that the best way to avoid this double taxation, which he thinks is unjust, is the "dividends-paid credit plan." This would make the corporate income tax a tax on undistributed profits. The great difficulty of such a plan would be that dividends paid to foreign investors would be tapped only by the 15 per cent withholding tax, rather than by the personal income tax.

Dr Petrie complains that Canadian tax practice has encouraged saving by corporations and helped to reduce the supply of risk capital. At the same time it has made loan finance more attractive to corporations than equity finance. All this tends to discourage new and small enterprises. This is a serious charge against the tax structure of a country which must rely on private enterprise to explore and exploit new resources and build new factories. But it is difficult to avoid the conclusion that at present rates of tax in Canada the tax structure is not a serious hindrance to economic expansion, despite the shortage of risk capital.

The author is critical of recent Canadian experiments with deferred depreciation allowances "and other gratuitous departures from accepted accounting practice." Indeed he is convinced that, except in wartime, the corporation tax is not a good instrument of fiscal control. The Korean War, which broke out just as he was finishing the draft of this study, seems to have forced a partial modification of his conviction that taxation should be "for revenue only." This gives the book a tone of uncertainty, for this problem is nowhere examined at length. He is impatient, too, with the continued existence of provincial corporation income taxes. But a great deal has been done to create order out of the jungle of competing tax jurisdictions. There has been a considerable improvement since the Sirois Report in 1940, which noted that some corporations paid more for advice in making out their numerous tax returns than they paid in tax.

These, however, are minor criticisms of an important and readable study which should become the standard work on the subject. It will interest any student of taxing practice and any business man who plans to set up a company in Canada. The former will find the bibliography particularly useful. The Canadian Tax Foundation, which sponsored this study, is to be congratulated in making publication possible.

An Old German Dream

THE SHADOW OF STALINGRAD.
By Graf Heinrich von Einsiedel.
Allan Wingate. 254 pages. 15s.

GRAF VON EINSIEDEL, a great-grandson of Bismarck, was a German fighter pilot in the Stalingrad pocket when he was captured by the Russians. He was as innocent of political thought as a new-born babe, and naïvety is a strongly marked characteristic of his narrative throughout. Its interest lies in the light it throws on German-Russian relations in the past ten years.

After his capture, Einsiedel was recruited for the Free German Movement which the Russians were active in establishing; according to his own account, he became a convert to Communism. The grounds of his conversion are interesting: the attraction of a dogmatic and totalitarian system of ideas combined with the reflection that it was only by alliance with Soviet Russia that Germany could rise to power again. This up-to-date version of the "National Bolshevism" with which Reventlow and the German Right flirted briefly in the early 1920s chimed in well with the young Count's insistence that his great-grandfather had always believed in alliance with Russia as the basis of German policy.

The politics of the German National Committee, or, to be more precise, the scramble for privileges and power, form the most substantial part of the book. It is a squalid story, equally revealing for the picture it draws of the methods of propaganda, corruption and intimidation used by the Russians and for the reaction of the Germans, who ranged from generals like Paulus and Seydlitz to Communist exiles like Pieck, long resident in Moscow. The generals come out of it badly: their behaviour in captivity was as contemptible as their failure to stand up to Hitler.

The Russians never made up their minds what they wanted to do with the National Committee and it was disbanded soon after the end of the war. In 1947, Einsiedel was sent back to Germany and worked for a German Communist newspaper in Berlin. His picture of the relations between the leaders of the satellite regime and their Russian masters, a study in the pitfalls of political opportunism, leads into an account of his own disillusionment with Communism. The conclusion is well-stated, if a little glib, but it is not necessary to believe all an author says in order to recognise the interest of his book. In this case it lies not only in the unusual story he has to tell but in the many unconscious sidelights he sheds on the attitude of those Germans who, like himself, have attempted to realise the old dream of German-Russian co-operation.

American Survey

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

The State of State

Washington, D.C.

ON March 13, 1952, Mr George Kennan, after being nominated by President Truman as Ambassador to the Soviet Union, was confirmed by the Senate without debate or opposition. On March 27, 1953, Mr Charles Bohlen, nominated by President Eisenhower for the same post, was confirmed by the Senate after three long days of acrimonious debate by a vote of 74 to 13. From these facts it would be logical to deduce that Mr Truman was more firmly in the saddle in the closing months of his Administration than his successor is after only nine weeks in office, or that Mr Dulles is already less trusted by the Republicans than Mr Acheson ever was. Equally, it might be supposed that Mr Bohlen, who was present at Yalta, is inherently a more controversial figure than Mr Kennan, the author of the "containment" policy, against which much of the Republican campaign of last autumn was directed. None of these deductions, of course, would be true.

The explanation of last week's painful spectacle in the United States Senate is more complicated. A year ago the McCarthy clique cared little who represented the Democrats in Moscow for the next twelve months, and Mr Arthur Bliss Lane, the American Ambassador in Poland from 1945 to 1947, who is becoming more and more prominent in the speeches of the super-patriots, had not yet sold Mr Dulles the "liberation" policy which was used to belabour Mr Kennan. Finally, the "little group of wilful men," having lost their principal target, Mr Acheson, have turned their fire on "Acheson's lieutenants," those members of the Foreign Service who were in positions of trust during the war and the postwar years.

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The American Foreign Service has always worked under extreme difficulties and looked forward to few rewards. Its members always knew that both the important diplomatic positions and the desirable, but unimportant, ones would go to the politically faithful and that their role would too often be the thankless one of trying, from subordinate positions, to prevent international illiterates from making major blunders. In their declining years they might find themselves, if they were lucky, as Ministers in some capital with an unpleasant climate. Under the circumstances, the United States got more devoted service and more efficient work from its diplomats than it deserved. It was not until Mr Hoover was President that, for the first time, as many as half of the Heads of Missions were career men, and even then few important countries were among that half. Under Mr Roosevelt the proportion reached 70 per cent and it is not expected to slip below 60 per cent in this Administration.

Over the last thirty years there grew up, within the service, two small groups of specialists who became the particular pride of the service as a whole. The members of one of these groups became expert in Chinese and those of the other in Russian and, as they developed experience and attained seniority, the Foreign Service began to feel that, in two fields at least, it could meet the diplomats of other countries on equal terms. Since 1948 the experts on China have been scattered by Messrs McCarthy and McCarran. One, Mr John Service, has been dismissed; two others, Mr John Carter Vincent and Mr Edmund Clubb, have had to resign; a fourth, Mr John Davies, has been in constant jeopardy for some years and can no longer be used in the area where his knowledge would be most valuable.

Now it is the turn of the Russian experts to be attacked. Mr Kennan is not, it seems, to be re-employed and will therefore be automatically retired. Thirteen members of the Senate have voted against Mr Bohlen as a bad security risk and a number of others made it clear that they did not like the appointment and approved him only because they did not want to oppose the President. Another member of the Russian group, Mr Bohlen's brother-in-law, Mr Charles Thayer, resigned rather than face another bout of questioning and investigation. It is not surprising that the morale of the State Department has suffered under these blows and that it feels that the traditions it has developed in the face of great difficulties are in danger of being destroyed for the momentary advantage of a handful of ambitious and unscrupulous Senators. Will any Administration be willing to face another struggle like last week's to get confirmation of the best man for the job or will it tend in future to choose somebody politically unexceptionable—which means, with Yalta for ever on the horizon, somebody with a record of ignorance?

★

As far as his actual policies are concerned, Mr Dulles seems to have recovered from the bout of dangerous announcements and pronouncements with which he began his career as Secretary of State. Both Mr Eden a month ago and M. Bidault last week were able to breathe more

easily when they found him in less adventurous mood than he had seemed earlier. But the improvement in political action abroad has not yet been matched by its necessary companion, the rebuilding of confidence in the machine that must carry out his policies. He has not remedied the mistake he made when he demanded "positive loyalty" and started engaging men to ensure it.

He began by having the post of Under Secretary of State for Administration created and telling his assembled staff with pride that the man he had appointed to it was "an all-American quarterback and I think that that is the kind of thinking and creative action we are going to see in this job today." To help the new Under Secretary with his creative action in the field of security Mr Dulles chose Senator Bridges's administrative assistant, Mr Scott McLeod. This appointment sent shivers down the spine of anyone who knew much about the Senator and his habits and it was not long before Mr McLeod was accused of disclosing to Senator McCarthy some of the contents of the Federal Bureau of Investigation's file on Mr Bohlen. Despite the trouble he caused both to the President and the Secretary, Mr McLeod is still in the Department, judging the security of others who are, it would be reasonable to infer, more trustworthy than their judge.

★

But the acid test of Mr Dulles will be whether he displays positive loyalty to his own department and, particularly, to the Foreign Service. He told the Foreign Relations Committee that it was "on the whole, a very fine body of men who have the tradition of service to the Administration in power," but he weakened the effect of his defence of Mr Bohlen by giving as a reason for sending him to Moscow that an Ambassador was not in a policy-making position while a Counsellor in the State Department, which Mr Bohlen had been, was. And there is, in Washington, a general feeling that it was the President who really made this appointment and who has the greatest enthusiasm for it.

In another case Mr Dulles took a course which, perhaps unjustly, tended to make the members of his staff apprehensive. His decision to allow Mr John Carter Vincent to retire, thereby saving his pension, when the Loyalty Review Board had decided that he should be dismissed, represented the best Mr Dulles could do in terms of political realities. It may be shocking that things have reached such a pass that this should be so and it is no consolation to those who may be under attack in future to realise that the Secretary of State can find himself in a position in which it is politically impossible to be just and in which it takes courage even to be merciful. But it did take courage.

It will take even more courage to stand up, perhaps for months on end, to the demands of Messrs McCarthy and McCarran and to carry the fight, begun over Mr Bohlen, to victory. But there is now no doubt that the fight is necessary and any illusions that, by some mysterious process, Mr McCarthy would become innocuous under a Republican Administration must have disappeared. Presumably also it has now been realised that it is pointless to try to appease the barbarians in the Senate by hiring any more friends of Mr Bridges or Mr McCarthy. Meanwhile, however, a McLeod considerably bigger than a man's hand hangs over the State Department.

Consumers Become Heroes

FROM A CORRESPONDENT IN NEW YORK

SHORTLY before President Eisenhower took office, the Department of Commerce issued a study called "Markets after the Defence Expansion," which may in future years become famous for being the last utterance of the New Deal. It tries, by means of statistical projections, to give business men an idea of what the charts of civilian demand may look like in 1955. Among other interesting feats of imagination it offers "a pattern of expenditure for 1955 on the assumption that a high level of general business activity can be maintained."

In that pattern the long-neglected consumer becomes the hero. Assuming that the country turns out a gross national product of $365 billion (at 1951 prices) in 1955, the consumer is supposed personally to acquire and dispose of $228 billion worth, or nearly 63 per cent of it. He and his wife and children, his pets and his servants (if any) are to spend $10 billion on motor cars, $3.6 billion on furniture, $1.6 billion on jewellery and watches. They are expected to buy $123 billion worth of non-durable goods (among other things clothing to the value of $18.5 billion and oil and petrol to the value of $6 billion). They should also spend $73 million on the service trades; it is hoped that businessmen will be able to charge them $900 million for laundry, $1.1 billion for barbering and beauty, $1.3 billion for making and showing them films, $800 million for taking them to foreign lands.

These estimates are accompanied by a warning that they are not forecasts, but merely "a possible set of estimates of expenditure," based on the assumption that 1955 will be as prosperous as 1951, or even a little better. But if, as seems also to be assumed, prosperity depends on the consumer, it might be well to add that the consumer has, in these years of neglect, become less dependable than he used to be. During the long boom with its accompanying redistribution of the national income, and more particularly since the war, the consumer has been left free to make up his own mind and he has grown so rich that he can now afford to be captious.

This captiousness is a new factor in the economy. Not only must it be studied in order that its quirks and implications for the market may be understood, but also because it strikes at the heart of certain economic theories. According to them, capital expenditure has been the unstable element which needs steadying, while personal consumption has supposedly been dictated by people's needs and has therefore been fairly dependable. But since the war it has been capital expenditure which has been running at a steady pace, and the consumer who has been acting like the daring young man on the flying trapeze.

★

The new pattern of income distribution which has made this new whimsicality possible is no mere paper change. The figures are startling enough: real income a head has more than doubled in the last fifty years; the majority of families have moved out of lower income groups into higher ones than they or their fathers before them knew; the pyramid showing the number of people in the various economic classes has been pushed in at its low-income base and broadened at the top until it looks almost like a cube.

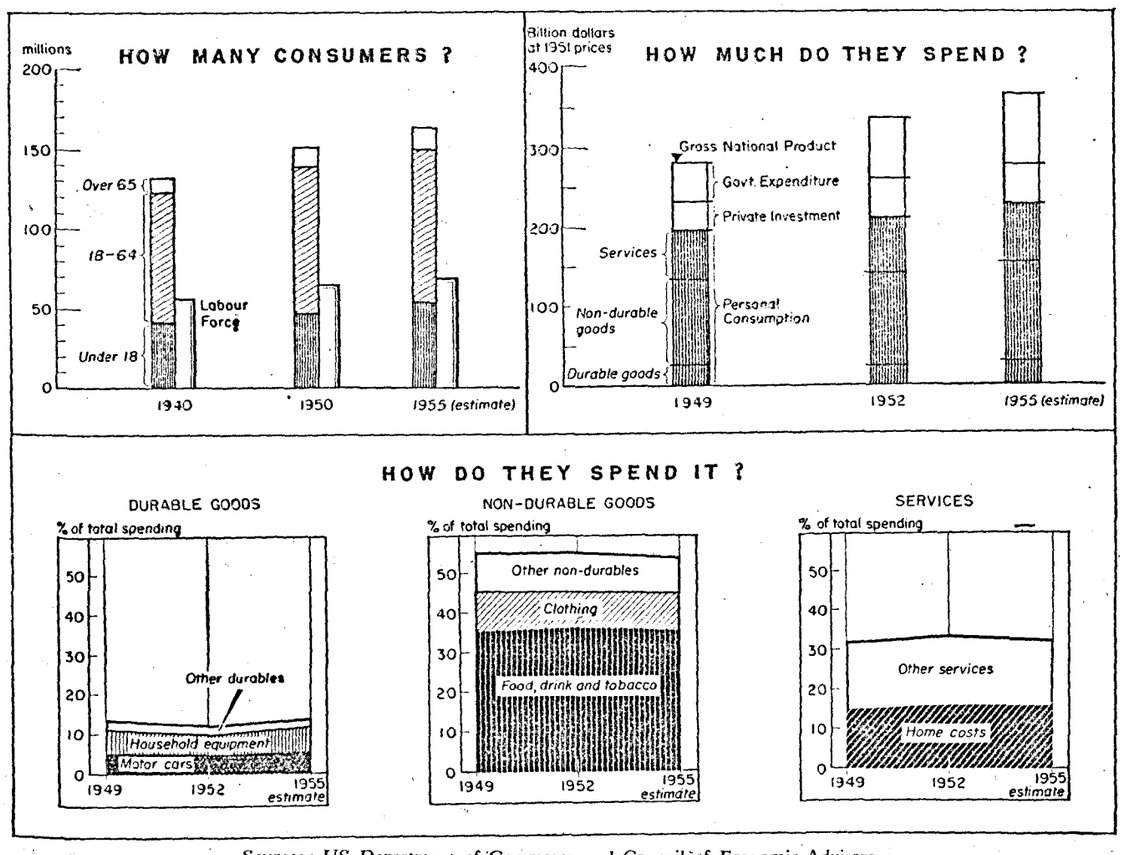
Incomes before taxes have been moving toward equality since 1929; in that year the top 1 per cent of the nation's earners got 17.2 per cent of the nation's income, now they get only 9 per cent.

The changes which such figures reflect are visible on every side. Not even a New Deal politician would claim that the poor have entirely disappeared (though destitution in the classic sense is unusual); the difference is that the modern poor are now only relatively so. The New York laundress who, during the recent bus strike, went to work by taxi every day, the Connecticut roofer who puts on roofs (at a high charge) only until he has enough cash laid by so that and his family can spend the summer fishing in Maine, the New Jersey factory worker whose son is getting his Ph.D. degree at Columbia University—these are the people to whom income re-distribution has given an unaccustomed freedom of economic choice. It has come so gradually that they hardly recognise it, but they can no longer be appealed to as workers of the world who have nothing to lose but their chains. Indeed, they have so much to guard in the way of social status and other middle-class prizes that they have become very exigent in their ideas of what they are willing to do. It is ironic that Americans are now so rich that they can hardly find anyone to clean their streets, wash their windows or collect their refuse.

Evidence of this wealth accumulates on every hand. The country has enough motor cars for everyone to go riding at the same time, provided they did not all try to do it on the same highway. There are enough refrigerators and electric irons so that few but the annual crop of brides would suffer if no more were to be had. Most people have enough coats and shoes to go three or four years without buying new ones, if necessary.

Such plenty narrows the proportion of buying that is essential and gives the consumer a flexibility and a power which he enjoys and the economists fear. If, as one economist declares, 40 per cent of the consumer goods available can be bought, or left on the shelves, at the option of the consumer, the country's prosperity depends on the little man at the end of the line. This is presumably why the University of Michigan has undertaken a continuous study of consumers' intentions and what stirs them and why the economists at the McGraw-Hill Publishing Company think that the little man holds the answer to the year's foremost economic question—who will buy what comes out of America's shiny new factories when defence needs have been met?

The chief potential customers are three—war, foreign countries and the domestic consumer, but each has its drawbacks. War has such manifest horrors that even the most devoted consumption expert dare not approve it. Foreign aid and foreign sales are fine in theory, but who will pay for them in dollars? These difficulties lead planners



Sources: US Department of Commerce and Council of Economic Advisers

back to the domestic consumer, but he is no longer docile or predictable. His tastes for more expensive things do not advance steadily with his income. There is no regularity about the point at which he decides that he has enough money to work shorter hours. When men worked sixty hours a week, idealists used to point to the time when machines would do the work of the world in four hours a day, leaving the rest free for interesting avocations and the cultivation of the mind. The consumer has not reached that stage yet, but so far as he has gone he is proving a disappointment. Each American now has nearly $450 more real income a year after taxes than he had in 1929, and he works on an average seven fewer hours a week. He does not, however, devote his new leisure entirely to buying flower seeds or reading a good book. It is the proportion of income spent on horse and dog racing which has gone up 1,800 per cent since 1929.

Nevertheless, though moralists may groan at the way men use their new-won economic freedom, the fact remains that it has played a vital part in America's long boom. For the time being, at least, the men who believe in redistributing the national income have been replaced by men who believe in a more stereotyped system relying on free enterprise, hard money and high interest rates. If they hold the nation's economic course straight on that system, will the re-distributed income stay in its new channels or seep back to the old ones? On that second question hangs the answer to the earlier one. Even the consumer is not heroic enough to take up the burden when the defence programme leaves off unless he has cash in his pocket.

American Notes

McCarthy's Second Front

FRUSTRATED, thanks to Senator Taft's devoted efforts and to the Democrats' almost united stand, in his attempt to dictate who should be the President's envoy to Moscow, Senator McCarthy the very next day himself stepped forward as a rival Secretary of State. He announced that the staff of his investigating committee had concluded an agreement with Greek shipowners in New York to cease trading with North Korea and Communist China and to refrain from carrying cargoes from one Communist port to another. This had been done without informing any government agency because Mr McCarthy wanted "no interference"—and, in his view, was a much more effective step toward a naval blockade than the agreement with the Greek government which the State Department announced, with an air of anti-climax, two days later. Greece has put into effect an order, which has yet to be ratified, forbidding ships sailing under the Greek flag from carrying strategic materials to Communist ports. Senator McCarthy trumped this easily by pointing out that his agreement and another he proposes to negotiate with Greek owners in London, cover Greek-owned ships sailing, as well, under the Canadian, British, Liberian, and Panamanian flags.

It may be, as Mr Stassen, the Mutual Security Administrator, angrily hinted, that Senator McCarthy used confidential information about the government's negotiations, as well as an immoral promise to waive his announced investigation of east-west trade, to induce the shipowners to co-operate. So many loopholes for trade with the Communists are now being closed that his estimate that he was reducing it by from 10 to 45 per cent is no doubt a gross exaggeration. Official agreements have been reached with Liberia, Panama, Honduras, and Costa Rica about ships in their registries; mortgages have been foreclosed, on a technical excuse, on Greek and Italian ships known to have been trading with the Communists.

Nevertheless, the Senator from Wisconsin has made a brilliant and well-planned recovery from his failure in the Bohlen affair, and added new colour to the picture of himself he is building up in the country as the most relentless, swift-moving enemy of the Communists and their catspaws. This, as much as his invasion of the presidential prerogative or his undermining of government negotiations, is likely to harden the President's already angry mood.

Roberts Doubles and Quits

THE chief occupational hazard for the leaders of American party organisations today seems to be that they will be suspected of using their political influence for the benefit of their friends and their pockets. Mr Wesley Roberts, chairman of the Republican National Committee for only ten weeks, has just been forced to resign as the result of such accusations, and it is only a little over a year ago that the party then in power lost its chairman, Mr William Boyle of the Democratic National Committee, for the same reason. But the commission which is popularly supposed to have been the price for Democratic favours was only 5 per cent, while Mr Roberts received double that, 10 per cent, for arranging a deal not with the federal government, but with the state government in Kansas.

This is President Eisenhower's home state, and he has been nearly as ready to find jobs in Washington for Kansans as President Truman was to look after his fellow Missourians. Mr Roberts's predicament is particularly embarrassing for Mr Eisenhower, and particularly comforting for the Democrats, not only because the chairman was his personal choice, but also because one of the Republicans' winning cards in the election was the promise that the "five percenters" would be driven out of government. Furthermore, Kansas is one of the most purely Republican areas in the country.

For these reasons, as Mr Roberts realised without any prompting, it was essential for the sake of his party and his President that he should resign immediately an inquiry committee of the Kansas Legislature reported that he had "deliberately and intentionally" violated the spirit of the state lobbying law, although probably not its letter. Mr Roberts had not registered as a lobbyist, or disclosed his personal interest when, two years ago, shortly after he had resigned as chairman of the Republican State Committee, he arranged the sale of a sanatorium to the state authorities on behalf of an insurance company, the Ancient Order of United Workmen. The state paid $110,000, of which Mr Roberts received $11,000 for his services as a "public relations consultant"; there is some question, now being answered in the courts, whether the sanatorium did not already legally belong to the Kansas government.

The committee, which contained some of Mr Roberts's friends and had been expected to clear him, was unanimous in its condemnation, which hardly sustains his argument that he has been the victim of a plot growing out of a factional fight among Kansas Republicans. Without that fight, however, the deal might never have been brought to the attention of the voters. It was first discovered by the influential Republican paper, the *Kansas City Star*, and was immediately seized on by the progressive Republicans in the state, who hope in 1954 to win control of Kansas from the "old gang," led by the present Governor, Mr Arn, and his associate, Mr Roberts.

Agricultural Contradictions

AMERICA'S farms may have fewer and fewer people on them—under 25 million today compared with over 30 million in 1940—but they go on producing more and more. If farmers plant as many acres this spring as they plan to do, it will take very unfavourable weather to keep them from harvesting another record crop, although agricultural prices have been falling ever since last August as a result of last year's heavy output. Even cotton acreage seems likely to be increased this year, although farmers have been warned that, if they again produce 15 million bales, as they have done for the last two years, supplies will almost certainly reach the level at which the law requires the government to impose limitations on output of cotton, which must be observed by farmers who want the benefit of price supports.

Such limitations, always unpopular, might make the atmosphere more favourable for the flexible price supports which the Secretary of Agriculture, Mr Benson, advocates in principle (he has not yet worked out a detailed scheme) as a substitute for the present rigid system. In theory it is rigid only for the basic crops—grains, cotton and tobacco—but in practice it means that the government has to hold almost all farm products at high levels. For example, Mr Benson has just been forced to go on supporting the price of butter for another year at a level so high that the demand is perceptibly reduced, partly because to allow butter prices to fall would be unfair to the dairy farmers, who have to pay so much for their feed grains as a result of the mandatory price supports for them.

Dairy products also provide another example of how the present price support system undermines the demand for agricultural products. Because of the high prices they fetch in American markets, imports of dairy products have risen steadily in recent years. Congress has therefore forced the Secretary of Agriculture first to limit them by quota restrictions, and now to ban imports of milk altogether. Such restrictions prevent other countries from earning the dollars that they would spend on American wheat, cotton, and tobacco and frustrate efforts to encourage sales of American farm products abroad. The value of agricultural exports fell by 15 per cent, or over $600 million, last year compared with 1951, and Mr Benson, well aware that his hopes of a more flexible price support system depend upon his ability to guarantee farmers a satisfactory market for their output, has promoted the old Office of Foreign Agricultural Relations to be one of the six main groups in the Department of Agriculture. Headed by Mr Romeo Short, its new name is the Foreign Agricultural Service, and its new duties, which will bring it face to face with the contradiction in American farm policy, are to develop off-shore markets for American agricultural products and to aid other governments with their American marketing.

Lingering Death for RFC

THE Reconstruction Finance Corporation, which was created by President Hoover in 1932 to shore up the collapsing banks and railways and later became a Democratic maid of all work, is to expire in June, 1954, when its present lending authority ends. President Eisenhower and his Congressional advisers, in so deciding, have, for all their anxiety to get the government out of business, been less hasty and more concerned with orderly liquidation than the conservative Democrat, Senator Byrd. His Bill on the RFC would have had the corporation wind up next January and turn its $649 million of loans and investments over to the Treasury. With the addition of synthetic rubber and tin plants and other revenue-producing properties, the total value of the RFC's assets is over $1.2 billion. Under the Treasury's present system of bookkeeping, all this would serve to reduce next year's deficit, even though the loans may take twenty years or more to collect.

Such a windfall is particularly attractive when a Republican Administration is having difficulty in keeping its pledge to balance the budget, although over the twenty-one years of its existence the RFC, so far from losing money, has earned about $1 billion for the Treasury. But it is argued, in addition, that in times of prosperity there is no need for a great government bank which competes with private credit facilities, while its existence, as two investigations have showed, is a standing temptation to favouritism and to corruption of government servants.

The RFC had already begun to contract under the Democrats. In future, no loan is to be made for more than $1 million, and within sixty days half its field offices will be closed. But if the new Administration foresees no new needs for the loans to big business the corporation made under Mr Hoover, for pump priming on the Roosevelt model, or for the defence loans made during the war, there is one function which must be carried on. Since the end of the war the RFC has concentrated on helping small business; last year 90 per cent of its loans were for less than $100,000. When it disappears, an agency is to be created to carry on this work, either as a bureau in the Treasury or in the Department of Commerce or, amalgamated with the Small Defence Plants Corporation, as an independent agency. An Administration in which big business is so heavily represented cannot afford to leave the little man to sink or swim and, in any case, Congress, which has always been sensitive to the voice and the votes of small business, will insist upon providing a life preserver.

Colour in the Air

THE ban imposed eighteen months ago, in order to save scarce materials, on the manufacture of television sets which receive programmes in colour has been lifted, but there are no longer any programmes in colour for the sets to receive. For the delay has sent the whole controversy over colour television up into the air again. It had been brought down to earth at the end of 1950 when the Federal Communications Commission decided that the Columbia Broadcasting System's method was the only satisfactory one available. But CBS had hardly begun to put colour programmes on the air when it had to discontinue them at the request of the mobilisation authorities.

The inventors of other types of colour transmission contended that, if given more time, they could develop a better method than that of CBS. It has the disadvantage of being incompatible, that is, it cannot be seen on existing sets even in black and white unless a special adapter is fitted, as well as the converter that all colour telecasting requires. The eighteen months' respite has been used by the industry's special National Television System Committee to work on a different method, similar to the one sponsored by the Radio Corporation of America and turned down by the FCC in 1950, that can be received in black and white on any set as it stands. This new method will be submitted to the FCC before long, but it will be many months before a decision is reached on it.

This means that there is no immediate prospect of colour television by the new system. Nevertheless, in view of the general uncertainty, CBS has decided that it would be economically unwise to resume colour telecasting by its method. The company's reluctance to make use of the start which the FCC has given it in a very competitive situation has left the industry gasping. It seems to stem mainly from the unwillingness of manufacturers to make sets that can receive CBS's colour programmes until they are sure that *this is going to be the accepted method.* Owners of sets will want to be equally sure before they buy adapters—and there are 23 million sets to be adapted today, about 40 per cent more than there were when CBS stopped its colour *transmissions in 1951. It has been suggested,* and a Congressional committee is now investigating the question, that manufacturers of television sets would like the introduction of colour television to be delayed, so that it can be used to stimulate demand when the market for ordinary television sets is saturated.

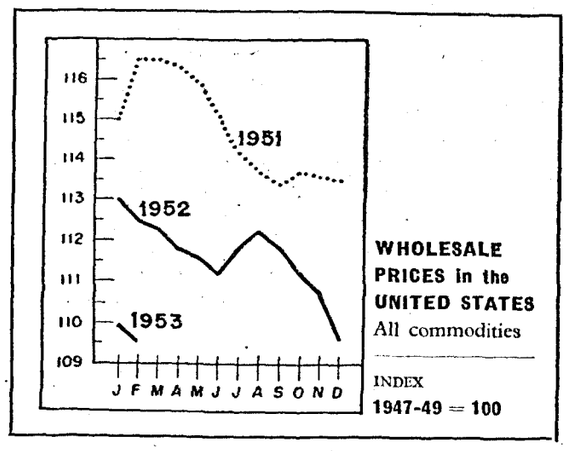
Bid for Labour Leadership

MR WALTER REUTHER has been using the annual convention of the United Automobile Workers, of which he has been head for eight years, not only to consolidate his new position as president of the Congress of Industrial Organisations, but also to strengthen his claim to lead a united labour movement should one by any chance develop out of next week's renewed discussions between the CIO and the American Federation of Labour. The automobile workers began by warning the motor manufacturers that, unless they were prepared to treat their five-year agreements with the local unions, which do not expire until 1955, as "living contracts" subject to renegotiation as conditions change, the unions would refuse to commit their members in future for more than a year or two. The General Motors Corporation has already accepted this renegotiation in principle, but the automobile workers will only be satisfied by the practical concession of an increase in their basic hourly wage. This is important, now that prices are falling, in order to make permanent the gains that have been achieved through the escalator clause in the automobile contract, under which wages keep in step with the cost of living.

Unless Mr Reuther can save his members from a drop in wages, he will lose popularity in his union and prestige in the CIO, particularly if his chief rival there, Mr McDonald of the United Steel Workers, wins a wage rise from the steel companies this summer. This rivalry also explains in part why the automobile union followed the steel union in setting up a guaranteed annual wage as its next goal. But such a guarantee also has special relevance in the motor industry, now that there is once more a prospect of overproduction of cars and therefore of the seasonal shut-down of prewar years.

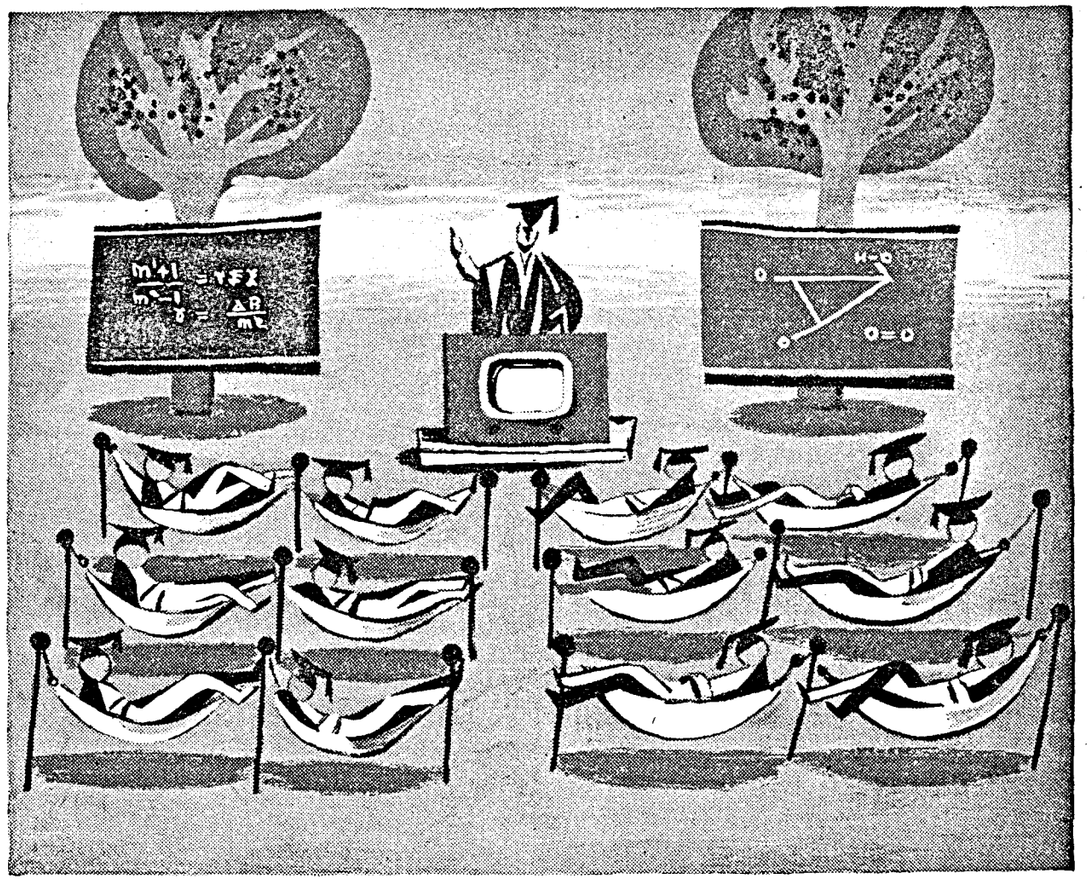
Mr McDonald denies that there is truth in the rumours that the steel workers are going to desert to the AFL. The acquisition of a union representing such a basic industry would give the AFL, which already has more members than the CIO, an advantage so overwhelming that there would be even less hope than at present of achieving a merger between the two big labour associations. Such a merger requires substantial concessions on both sides and Mr Reuther's aggressive attitude to next week's talks will not encourage a conciliatory approach from the AFL.

From the automobile convention's platform he announced the four conditions on which the CIO would consider unity: it would not permit its system of industrial unions to be invaded by the AFL's craft unions; a method of settling jurisdictional disputes between AFL and CIO branches must be worked out; and the AFL's racial discrimination must be abolished. Such difficulties have always stood in the way of a merger, but Mr Reuther's fourth condition seemed like a gratuitous insult to the AFL's new president, Mr George Meany. For he is dealing energetically with criminal influences in the notorious New York longshoremen's union, to which Mr Reuther was obviously referring when he said racketeering elements must be expelled from the AFL.



WHOLESALE PRICES in the UNITED STATES
All commodities

INDEX
1947-49 = 100

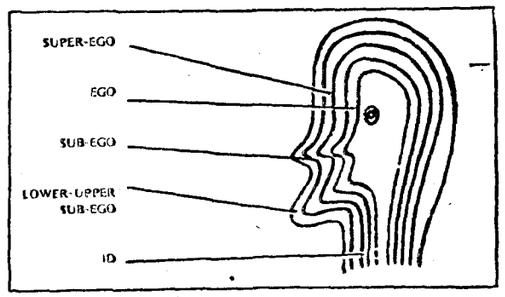


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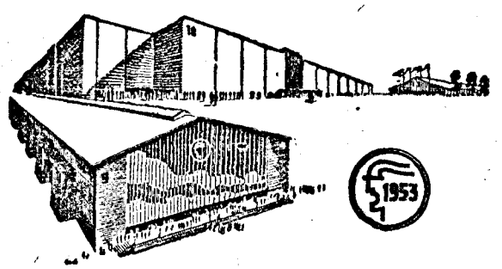
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The World Overseas

World Economic Report—I

The West After the Boom

THIS year's World Economic Report, published by the United Nations for the coming session of the Economic and Social Council, is a decided improvement on most of its predecessors. It is written with more clarity than in the past, and the material is assembled with greater coherence. The report is divided into two main parts, the first focused mainly on internal developments in the three major types of economy — the industrialised, private enterprise economy ; the centrally planned ; and the underdeveloped. The second half deals with international trade and payments.

For the past few months Europeans have been deluged with studies of international trade, by their own organisations—the OEEC and ECE—and by the United Nations itself, which has recently issued such useful publications as the account of the terms of trade in backward areas. The European reader's primary interest in the current report, therefore, will probably lie in the comparisons drawn between all the industrial nations of the west, and in the evolution of the under-developed areas because of their importance as markets for western goods.

TABLE I—INDICES OF INDUSTRIAL PRODUCTION AND REAL GROSS NATIONAL PRODUCT

1950=100 Country	Industrial production		Real gross national product	
	1951	1952	1951	1952
Belgium	115	110	105·5	104·5
Canada	107	110	105·0	111·0
Denmark	102	98	100·0	99·0
France	113	118	106·0	107·5
Western Germany	120	128	116·0	123·0
Italy	113	113	106·5	107·5
Netherlands	104	104	101·5	103·0
Norway	105	105	103·0	104·5
Sweden	104	102	101·5	102·5
United Kingdom	103	100	101·0	100·0
United States	110	110	108·5	111·0

For its analysis of recent trends in the industrialised, free-enterprise areas of the world, the report has selected a sample of twelve countries*. Perhaps the most conspicuous thing about their development in the past two years is the fact that industrial production for the group as a whole remained almost stationary from 1951 to 1952, whereas it had increased by 10 per cent from 1950 to 1951. As will be seen from Table I, industrial production rose only in Canada, France, Western Germany, and Australia (precise figures not available) ; and even for these countries the rate of increase was much lower than in the preceding year. In three countries—Belgium, Denmark and the United Kingdom—industrial production fell markedly.

Much the same picture emerges for agricultural output. Only in Canada, Western Germany and Italy did agricultural production show a significant increase. In France, output remained unchanged in 1951-52 as compared with the previous year, while it fell appreciably in the Scandinavian countries, the United Kingdom and Australia.

Again, for the twelve countries as a whole, the gross national product rose by a mere two per cent from 1951 to 1952 as compared with a seven per cent increase in the previous year. Between 1951 and 1952 the relative shares of various components in the group's GNP showed small but significant changes. The report does not give the detailed 1952 breakdowns for each country but offers those of the United States as a typical illustration. Table II shows that the outstanding characteristics included a slight increase in personal consumption, a considerable increase in government expenditure (largely for armaments), a slight decline in private investment in fixed capital, and a substantial fall in private investment in stocks.

TABLE II—COMPONENTS OF GNP IN THE UNITED STATES

	1951	1952
Gross national product	100·0	102·4
Personal consumption	62·9	64·1
Government expenditure	18·9	23·0
Private investment	17·9	15·2
Investment in fixed capital	14·7	14·6
Investment in inventories	3·2	0·6
Balance of exports and imports of goods and services	0·3	0·1

There were, of course, variations from country to country. In the United Kingdom and Australia, for example, consumption showed no rise whatever. In both countries, too, the increase in government expenditure, including spending on rearmament, was lower—less than 2 per cent

* Australia, Belgium, Canada, Denmark, France, Western Germany, Italy, the Netherlands, Norway, Sweden, the United Kingdom, and the United States.

of GNP—than in such countries as France, Canada, Belgium, Western Germany and the United States, where the increase ranged from 3 to 5 per cent of GNP. The sole exceptions to the general decline in private investment occurred in Australia, Western Germany and Italy. This decline affected chiefly investments in stocks, although investment in fixed capital showed an important rise only in Australia and Canada.

Where price and wage movements were concerned, the United States also provided a rough model for behaviour in all twelve countries of the group. After reaching its peak in early 1951 the raw material boom subsided, but it was not until the second half of 1952 that this fall was fully reflected in the group's import prices. Except for the United Kingdom, the cost of living increased less from 1951 to 1952 than in the previous year, and in some cases it even declined towards the end of 1952.

In all twelve countries, however, money wages continued to rise throughout 1952, in response to the earlier increases in the price of raw materials and finished goods. Increased money wages did not always lead to increased real wages. For example, real wages failed to increase at all in the United Kingdom, largely because food subsidies were reduced in early 1952. In Western Germany the increase was limited by greater indirect taxation and in Australia by increased indirect taxation plus a rise in food prices. The largest expansion in real wages during the years 1951-1952 occurred in Belgium, Canada, France, Italy and Sweden. In two countries—Italy and Canada—improved food supplies played an important part in this rise.

(To be Continued)

Water for Kuwait

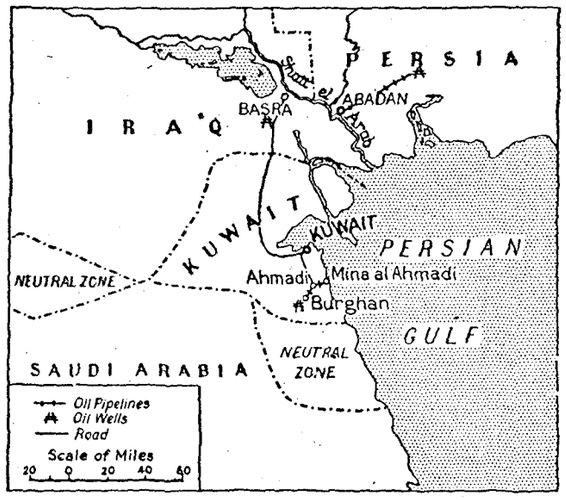
FROM OUR SPECIAL CORRESPONDENT IN THE PERSIAN GULF

LAST week, for the first time in its history, the town of Kuwait possessed its own sweet water supply. Its ruler opened the first unit of a seawater distillation plant which, when finished, will be one of the largest undertakings of its kind in the world. Few towns in history can have been founded on a spot where so little water was available. Rain is so rare that no one has ever troubled to build a catchment. For the 150 years of its existence, Kuwait's only amenities have been remoteness and a splendid bay that makes a sheltered anchorage. These conditions bred a seafaring and a trading people—a people of enterprise, for they existed on a few undrinkably brackish wells and fetched all their sweet water by boat from the Shatt-el-Arab over 50 miles away.

The discovery of oil in the desert to the south of their town altered this pattern. Two and a half years ago the Kuwait Oil Company put a seawater distillation plant into production, built a 20 million gallon storage capacity, and linked it to the town by 8-inch pipe. As municipal demand has increased, the company has come to pump down this pipe some 200,000 gallons daily in winter and 300,000 in summer. In the oil company's camp, a Kuwaiti's ration of sweet water from this plant is four gallons a day. Since the population of the town of Kuwait is, in the town's present building boom conditions, standing at about the 200,000 mark, this piped water supply nowhere near meets demand. Porters therefore still load up from a dhow on the sea-front and, bending beneath the weight of their dripping, swollen goatskins, plod into the town to sell their load.

The plant opened last week is a state affair (built by British contractors with Kuwaiti partners and Kuwaiti labour) and is being paid for out of the revenue derived from the oil company. The section now being erected will produce one million gallons daily; it is forthwith to be doubled under the five year development plan now being tugged into shape, and its capital cost for the two million gallon plant will be £3 million. Its running cost will in Kuwait be lower than the high level which makes such plant rare, because the fuel for its generators will be derived from the natural gas that is at present burning to waste on the oilfield 25 miles away. Fuel, as it were, will be free.

The principle of seawater distillation is familiar to anyone who has looked at a liner's apparatus. Broadly speaking, one boils the sea. A major problem involved is the insoluble deposit which, like scale in a kettle, tends to corrode the apparatus; to minimise this deposit, the volume of seawater boiled is twice that of the sweet water required and the second half is returned, doubly salty, to the sea. The seawater is chlorinated at intake and also fine-mesh filtered to rid it of sea life, and then distilled. In Kuwait, it will subsequently be diluted with 10 per cent of the local brackish water in order to give it body and a taste.



Three ground reservoirs, each of 3 million gallons capacity, are being built just behind the plant, with a distribution pump house to carry the flow to high static water towers that will ensure a given pressure all over the town. These towers will also contain a tank for brackish water, for which boring is proceeding and which will it is hoped produce another 15 million gallons daily for sanitary, dust-laying, car-washing and other such purposes. There is considerable argument about how much should be spent on making the towers look sightly, if not decorative. The whole scheme is highly costly, for with two kinds of water in supply, there must be duplicate mains all over the town. At present, all is coming out of the oil revenue and no Kuwaiti has contemplated the water rate that ought to be charged if the town is not to squander an expensive commodity. Gardens, for instance, hitherto unknown, need meters if there is to be anything left for push-button drinking fountains; the latter would, for some time to come, be the only way of supplying the distilled water to the poorer levels of the population. All new houses being built have a water system, but building costs have risen so much that, though called workers' houses, they are beyond the means of every manual worker.

But if Kuwait is to become a congenial place in which to live at the standards it is acquiring so fast, even the 5 million gallon distillation plant that is ultimately envisaged will not be enough. Sewage, at present running to waste, could be processed and used for agriculture, but would not adequately produce the green food for man and beast that is at present all imported from Basra. Yet a huge river system is flowing into the sea only fifty miles away. Just over three years ago, *The Economist* stated its view that a canal from the Shatt-el-Arab was the only way to prevent Kuwait from over-dependence on oil as its single source of prosperity; it was at the time criticised for doing so by Kuwaitis who dislike the thought of dependence on a source in Iraq. Today, that dislike has dwindled; but though relations with Iraq are better and minds broader it will not quickly die. To an outside eye, the scheme still seems imperative to Kuwait's prosperity. It also seems that an Iraqi stranglehold could be at least minimised by committing Iraqis to a participating interest in the venture; for about one-third of its length, any canal or large diameter water pipe would be in Iraqi territory, and there is no practical reason why Iraqi farmers should not depend upon the same system for supply. One Basra entrepreneur is said to be ready to instal the canal free of charge provided he can have a square acreage of land on either bank.

But the Kuwaitis do not like being beholden to anyone. Nor do they fancy sharing profits. Negotiation with Iraq will, if it happens, be a slow business. Yet the result could be of even more importance to the Kuwaitis' well being than any of the home developments they are now promoting with such enterprise. But, as with conceptions like the cross-Channel tunnel, one bar to execution of the idea is the proverbial conservatism of a seafaring people.

Uno's Staff and their Hosts

FROM OUR UN CORRESPONDENT

AFTER maundering in a never-never land of sick flies and infected chicken feathers, the United Nations Assembly emerged last Saturday into the relative sanity of Mr Trygve Lie's personnel problems. It can, of course, be argued that Chinese fear of germ warfare and American fear of Communist spying represent opposite sides of the same medal. But at least the objects of American suspicion are solid and tangible human beings, fed with the same food, hurt with the same weapons, subject to the same diseases as their accusers, the Secretary-General, and the delegates. Also, they are in the same country. It would, therefore, seem easier to cope satisfactorily with the problems which that suspicion creates than with an insectuous situation some six thousand miles away.

In essence, the immediate need is a formula which will at once safeguard the international integrity of the United Nations Secretariat and satisfy American demands for the right to investigate suspected American citizens who are members of that Secretariat. The Secretary-General claims to have been struggling with the problem since 1948, when he sent to the State Department a list of 377 Americans about whom he had questions. Since the Korean war began, and more intensely in the past year as spy hunts have grown politically more profitable, both the difficulties and the pressures have increased. Certain UN officials were called before Senate investigating committees and grand juries to answer questions about activities believed to affect American security. Some of them refused to answer, taking refuge either in the fifth constitutional amendment, which allows an American to fend off questions designed to incriminate him, or in the oath of loyalty to the United Nations which all Secretariat officials take. In the present public temper in America, people who refuse to answer questions are immediately suspect, and clamour for their dismissal grows loud. It was Mr Lie's attempt to satisfy that clamour, while at the same time saving Uno from the expensive lawsuits that might be brought by persons claiming to have been unjustly discharged, which led him to ask advice from a commission of jurists and then to ask the Assembly to let him report on the subject. It will be remembered that in November, two weeks before the jurists' report was presented, he attempted to resign his post, and three days later suffered the loss by suicide of his chief legal aide.

The FBI Investigates

The American demands, which of course reflect heavy political pressure on the State Department, have been met by quick compliance with an executive order issued in the last days of the Truman régime, and pressed by Senator Lodge as one of his first acts when he became the new head of delegation. Some 1,800 American members of the UN staff have now completed the same kind of questionnaire as is customarily answered by American civil servants; they have been finger-printed, and they are at present under investigation by the FBI. It is obviously the hope of the American mission, whose members have themselves gone through the same process, that when the investigations are completed and the American members of the Secretariat can be certified as security-pure the political attacks will cease. In view of the venom and resourcefulness displayed by the attackers this hope may be naïve. Already the press has quoted a State Department security officer as mentioning a suppositious French Communist cell in the United Nations, and the possibilities of inquiry are almost infinite.

Meanwhile a bill has been introduced into Congress which, if passed, would make it impossible for any American to be hired by the United Nations until he has first been cleared by the Attorney-General. Thus the past is to be mopped up, and the future made antiseptic. If the process seems to put the Secretariat squarely into the pocket of the American Government, so much the better (in the American view) for the United Nations.

QUARTERLY ECONOMIC REPORTS are now available on nearly seventy countries. These reports give information and opinion on matters of concern to exporters and investors; they are concise and have comprehensive statistical sections. A descriptive leaflet may be obtained from The Economist Intelligence Unit, 22 Ryder Street, London, S.W.1.

What seems to have been overlooked in all this, and what came out quite clearly in the Assembly debate, is the fact that the United States is after all only one of sixty members of the United Nations, and that while many of the others may sympathise with the American desire to clean its portion of the house some of them object to having their own *lares* and *penates* subjected to the same blast. There was even some feeling that if the United States continued to huff and puff at its present rate the whole glass house might be blown down around their ears.

In the main the debate turned on the importance of international versus national claims. Several delegates recalled that the San Francisco conference in 1945 had rejected a Jugoslav proposal that candidates for UN employment should first be cleared by their governments, and had underlined the vital need for building what should be in principle and practice an international civil service. It was clearly implied, and with some wonder, that the United States has now retrogressed to the Jugoslav position.

The Inviolable Precincts

The Indian delegate went further, and discussed in considerable detail what effect the jurists' concept of "host country" standards would have if they were accepted, and what changes would be needed if rules were made for American staff members which could not be accepted for their colleagues. He also raised an eyebrow over what he considered the jurists' hasty and incomplete construing of the fifth amendment to the American Constitution, stressed the inviolability of UN precincts (a hit at Mr Lie's complaisance in allowing American finger-printers and FBI investigators to work within the glass house) and urged that no action be taken by the Secretary-General on the basis of the jurists' report until all arguments had been carefully studied. To this the Belgian added a reminder that Uno has regional headquarters and specialised agencies located in many countries, and that its officials work and travel around the globe. If the principle of "host country" standards of loyalty is accepted, an official might head a mission when he gets into an aircraft and go to jail when he gets out.

Important as the prevailing American hysteria is in creating high tension and low morale among the secretariat, it is by no means the only element responsible for the personnel problem. Delegates were reminded that recruitment for the then new organisation was over-hasty in 1946. At the same time member nations scrambled to place their own nationals in high positions; had they been as eager to find the best possible man as to secure the best post, the organisation might have had a better high command. As it was, the good and less good no sooner took office than they joined in the game of expanding staff and staking out areas of influence. By 1950 a survey made for the Carnegie Foundation reported that, far from promoting the development of an international civil service on a high plane, "the personnel office of the Secretariat has accepted the attitudes and perspectives of the civil service commissions of the United States and the United Kingdom."

Fate of an Ideal

All this and much more lies in the minds of experienced delegates, and is in part responsible for a general desire not to be hurried by any country or group of countries into passing resolutions which may have unfortunate repercussions later. However much the American delegation may be battered by noisy Senators into pressing for the image of the thing they profess to hate, there is evident a disposition to look at this new American ideal from all sides and to picture what would be happening were it the Soviet bloc which was sending its version of the FBI to ask questions among the Secretariat.

The debate has put the strength of many nations behind the international ideal. For a while it looked as if Mr Lie's fate was to be identified with that of his personnel policy. Judging by the speech with which he presented his report to the Assembly a few weeks ago, this is what he wanted. Fortunately the new Russian tactics have now made possible the choice of a new Secretary-General in the person of Dr Hammarskjöld of Sweden. Mr Lie has been amply thanked for his work in assembling a staff, and his successor will have before him a roll-call of national opinions on the relevant issues. The outcome is better than seemed possible when the debate began on Saturday.

Clean Living in Mexico

FROM A CORRESPONDENT IN MEXICO CITY

In a recent talk with a friend, a leading figure in Mexico's last administration disgustedly brushed off the successor government, saying: "But honesty is *not* a policy. Nothing will get done that way." He was referring to the clean-up campaign of virtually revolutionary proportions ordered by President Adolfo Ruiz Cortiñes. When the new President was inaugurated in December, he announced in his first speech that the keystone of his government would be a vigorous drive for honesty in public affairs. The declaration was duly cheered, but Mexicans have heard handsome promises before and have learned their cynicism the hard way. Furthermore, Sr Ruiz Cortiñes was the protégé of his predecessor, President Alemán, although he is nearly a generation older.

After three months in office, it is impossible to say whether the President can succeed in making honesty a policy, but he has shown that he means to try. If he should succeed, it would mean almost as fundamental a change in Mexican life as the revolution of 1910.

The most important move thus far has been passage of the law against "illegitimate enrichment." Within his first month in office Sr Ruiz Cortiñes pushed through an acquiescent, gaping Congress a Bill requiring all public employees, including politicians, to register their total family fortunes upon taking office. At the end of their terms the officials must make another declaration. Any important discrepancies must be investigated and all suspicious cases must, by law, be turned over to the public prosecutor.

Officials were given until April 4th to comply. By the middle of March, over two-thirds of the 150,000 federal officials had actually taken the trouble to inventory their wealth. The President has declared that officials who fail to observe the law will be automatically sacked. What, if anything, he can do about recalcitrant deputies and senators has not yet come up for discussion, but the atmosphere of righteousness is at least making the stragglers feel uncomfortable. For the ecstatic reception given to the new measures has proved that people may have been resigned to the fact of bribery, but they never liked the principle.

It would be useless to try to estimate how much "illegal enrichment" took place under the Alemán regime, but the total undoubtedly surpassed anything in previous Mexican history. Especially during the last six months of the Alemán government, a kind of unabashed money madness spread from the top down to the most menial levels of the administration, with less and less regard for even the customary appearances.

President Ruiz Cortiñes broke the fever. To begin with, he retained in his cabinet only those few officials who had gained a reputation for honesty and efficiency. As the news trickled down through the bureaucracy, an astonishing pride of duty began to appear. Even traffic police have now taken to enforcing the regulations on the multitudinous holders of official credentials. Businessmen have reported quiet investigations in government departments aimed at eliminating the customary "mordida" before the placing of government orders. The representative of one foreign pharmaceutical company said he was called to the health service, which he supplies, and interrogated at length on whom he had paid off. Later he was told a directive had been issued not to buy from companies which had been giving bribes.

Nervous Businessmen

For the moment, the business community is waiting and rather nervously wondering how long this startling state of affairs will last. There is concern lest the President's effort to eliminate the grease will strip the gears of administration. In Mexico, bribes were not usually given to induce officials to act as they should not, but rather to make sure they actually performed their services with reasonable speed. The Alemán regime was hailed as an important measure of progress because bribes were conscientiously repaid with the favours requested—whereas, in the old days, the businessman paid in advance without the least assurance of getting delivery.

The clean-up has not been retroactive. There have been no public exposures, as was feared. But now, while "mordidas" are not being demanded, not much is being done either. Almost no government orders are being given, export licences do not seem to be coming through, and business activities in any way connected with the government are far from normal. It seems that a policy has been introduced of refusal to pay any government bills contracted under the Alemán regime until a thorough review has taken place. This standstill has created a shortage of money and a scramble for short-term loans with fantastic interest rates of as high as 3 per cent a month, according to some reports. But there is no good reason to doubt that the situation is a temporary one, made imperative by the decision to change the government's way of life.

Aside from honesty, there has been little in the way of clear indications of policy. Again, this seems to be because the new administration wishes to form its own views and take nothing left over from the Alemán government at face value. There has been an official statement that the government will seek no foreign loans but will continue to encourage foreign investment. If, as it seems, some of the conclusions on the Mexican economy made by a joint working team from the World Bank and the *Banco de Mexico* have been taken to heart, this may be a step towards cutting down the heavy public works programme which President Alemán favoured and concentrating on a more productive and at the same time less inflationary use of capital.

"Moralisation," if it works, should be a valuable aid in attracting private capital from abroad, and with it the know-how Mexico needs quite as much as money. The toll corruption has taken is greater even than Mexicans themselves realise. One important effect is that the country has no stock market. No stocks are bought or sold because everyone knows that practically all companies keep fictional books in order to cheat the government. As a result, the potential small investor can only spend his money on an extravagant house and car. There are no equities for the would-be foreign investor unwilling to launch an enterprise of his own. Thus both capital formation at home and attraction of capital from abroad have generally been limited to the narrow field of big money.

"Moralisation" has already come to include such things as enforcing price controls and fair weights and measures in the small shops that sell the poor their beans. Directly or indirectly, its consequences would affect Mexican development in every field. Thus, although Sr Ruiz Cortiñes's programme is still vague and, except for the reduction on public works, not notably different from Sr Alemán's, he has tackled the central problem which has hampered the solution of most other problems. If he proves that things can get done the new way, then Mexican policies, which have usually been impressive on paper, can also be impressively carried out.

Europe's Economy Since the War—II

Industrial Revolution Behind the Curtain

THE revolutionary transformation of the economies of eastern Europe since the war is clearly recognised in the latest ECE survey, which for the first time deals with this area in separate sections. In addition to a chapter on the Soviet economy the authors have collected and analysed a wealth of not easily obtainable material on the countries within the Soviet sphere.

There are two possible ways of looking at the postwar development of eastern Europe. From the short-term, consumer's angle one may deplore the relative stagnation of agriculture and the small progress of the consumer goods industries. The survey, however, judges eastern Europe by the standards it has set for itself: ". . . the eastern European governments have on the whole planned successfully, granted their order of priorities. . . ."

The paramount aim of these governments has been and still is to carry out in their respective countries a planned industrial revolution at the greatest possible speed, irrespective of cost; to transform this predominantly rural and backward area into an industrial region comparable with the West. Therefore, naturally enough top priority had to be given to the development of the fuel and power basis, of iron, steel and engineering. But the ambitious plans for expansion could not be started until the damages of war had been made up, industry put into gear, and transport restored. Short-term plans of reconstruction, varying in length, were undertaken throughout eastern Europe. At the same time, each state extended its control from the "commanding heights" to almost the entire field of indus-

try and to a substantial proportion of trade ; in addition, the fiscal system was overhauled on the Soviet model. Towards the end of the last decade the prewar level of industrial production was exceeded and all the countries within the area embarked on their long-term plans. The Council of Mutual Economic Aid founded in 1949 had as its principal task to co-ordinate these plans and to integrate them with Soviet development.

The scope of the programme for basic production can be gathered from the following table. It may be roughly calculated that in less than three years' time eastern Europe should produce annually over 250 million tons of coal (in hard coal equivalent), some 80,000 million kWh of electricity and about 17 million tons of crude steel, a level comparable with that of the United Kingdom now or Nazi Germany before Munich. Engineering production, which has already almost doubled its prewar level, should continue to expand at a still faster rate.

TABLE I—PLANNED OUTPUT IN EASTERN EUROPE

	Coal*	Electricity	Crude steel	Engineering ‡
	mn. tons	bn. kWh	mn. tons	
Bulgaria (1953)	2·2	1·8	...	580
Czechoslovakia (1953)	39·7†	12·3	4·3	231
Eastern Germany (1955)	78·5	33·4	3·1	211
Hungary (1954)	14·5	6·1	2·2	490
Poland (1955)	102·8	19·3	5·0	364
Rumania (1955)	2·8	4·7	1·3	216

* Hard coal and lignite translated into hard coal equivalent. † Target subsequently raised by 20 per cent. ‡ Year preceding plan=100. 1948 for Bulgaria and Czechoslovakia ; 1949 for Poland and Hungary ; 1950 for Eastern Germany and Rumania.

There is no economic reason why these targets should not be reached on time. Indeed, the survey estimates that they may be reached ahead of schedule. In eastern Europe, as in the Soviet Union, basic industry has first call on scarce resources. Whenever the plans have been revised the emphasis on producers' goods, and on that alone, has been strengthened.

The swift industrialisation of eastern Europe is only made possible by reinvesting a large slice of the national income and channelling investment into heavy industry. Poland, Hungary and Czechoslovakia are now investing about one-quarter of their national income every year. By 1955 Rumania should plough back the same proportion and even in Bulgaria the ratio should reach about one-quarter. Even when allowance is made for differences in the calculation of national income, the share of investment is still higher in eastern Europe than in the much wealthier West and incomparably higher than in southern Europe. Incidentally, in its integrated planning, eastern Europe does not push the advantages of division of labour to their rational extreme ; in accordance with current Soviet practice, each area is developing its own basic production.

Evidence is too scanty to draw general conclusions as to the fate of the individual consumer in this collective transformation. The survey estimates that at the end of the reconstruction period consumption per head was somewhat lower than before the war in East Germany and Rumania but higher in the other countries. The lower income brackets had also benefited by the elimination of prewar inequalities. Since then, wage-differentiation has been reintroduced as a tool for increasing productivity. The standard of life of skilled workers has probably increased, but the wages of unskilled labourers have apparently not kept pace with the price of foodstuffs.

PLANNED INCREASE IN PRODUCTION
(YEAR PRECEDING PLAN=100*)

	Producer goods	Consumer goods	Agriculture
Poland	254	211	150
Czechoslovakia	230	170	153
Hungary	380	245	154
Rumania	...	...	188
Bulgaria	326	273	137
Albania	386	324	111

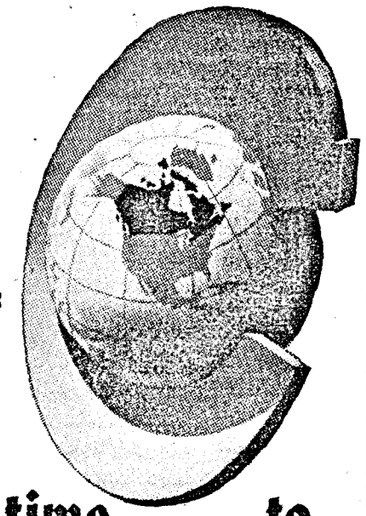
* Five-year plans in all countries, except Poland where the plan is for 6 years.

The relatively low level of consumption is only partly the result of the governments' conscious investment policies. It is also partly due to their inability to solve the problem of "balance of payments" between the rapidly expanding socialised industry and stationary agriculture. The planners have enough cards in their hand to prevent rising food prices from jeopardising the objectives of socialised industry. But they cannot yet determine either agricultural output or the quantity of supplies. Agricultural production per head in Europe as a whole is now only very slightly lower than before the war, when the area was a net exporter of food. Now it is, on the contrary, a net importer. Hence a decline in the urban consumption of foodstuffs could only be accounted for by increased consumption in the countryside. Paradoxically, the smallholder may have benefited more hitherto than the urban worker from the "dictatorship of the proletariat." The breaking up of large estates has eliminated large surplus producers, and despite compulsory deliveries the state finds it difficult to extract sufficient supplies from the peasants.

The planner's method for restoring the balance between town and country lies obviously in the elimination of the "foreign" private sector in the countryside in the same way as it was uprooted in the towns. Through collectivisation it is hoped both to increase agricultural production and to bring more manpower into the towns. Collectivisation, however, has made little progress as yet. Only in Bulgaria do collective farms own over half of the total arable land. The total socialised sector—both state and collective farms—accounts for about one-third of the arable land in Hungary and Czechoslovakia and for much less in Poland, Rumania and Eastern Germany. The survey considers that more investment in agriculture—which now gets about one-tenth of total investment—and in urban housing, would pay good dividends in bridging the gap between town and country. There are no signs, however, that the governments intend to deflect any important resources from the primary task of rapid industrialisation.

Until eastern Europe has succeeded in carrying through its revolution in the countryside there seems little hope of a radical improvement in the standard of life of the urban consumer. Whether at this moment he derives any benefits from the rising national income it is impossible to say. But that the national product of eastern Europe is rising rapidly on the basis of industrial expansion, there is no doubt.

(Concluded)



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Paid-up Capital ...	...	**Pak. Rs. 10,000,000**
Reserve Funds ...	...	**Pak. Rs. 10,000,000**
Deposits as on 31/12/52 ...		**Pak. Rs. 345,700,000**

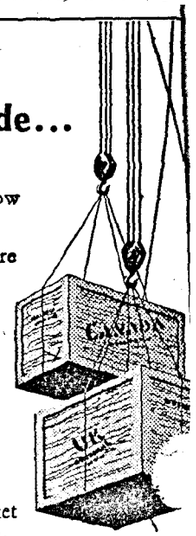
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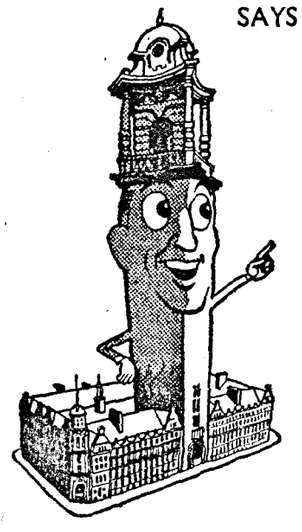
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THE BUSINESS WORLD

Economic Survey for 1953

I—Demand Becomes Sovereign

THERE are two major themes that run through the Government's Economic Survey for 1953 (Cmd. 8800), with the insistence of the chorus in a Greek play. The first is that 1952 was a year of climatic alterations, a year that saw "the checking of inflation in the United Kingdom." In it "the effects of comparatively small reductions in personal consumption and exports were magnified by a big change from a phase of rapid stock accumulation to one of relative stability." The result has been a sea-change in the Government's outlook on economic policy. "Now that total demand is no longer excessive," report the authors of the Survey, "economic activity has become much more directly dependent on the assessment made by business people of economic prospects." In other words, demand is at last sovereign, and the Government apparently now considers its task to be to see that demand is kept up in the right places and down in the wrong ones; in all other postwar years its task has been the simpler but grimmer one of seeing that total demand was kept down, by hook or by crook, to match the level of potential supply.

This supposed change in climate and in necessary objectives inevitably raises some anxious questions, especially about the shape of the coming budget. Economists will be concerned to search the Survey for clues on whether any stimulus that is given to demand is in fact likely to be injected in the "right places"—in particular, whether it will go to those industries that ought to expand their share of national production if long-term solvency is to be attained, or merely to those that have some present slack in resources (and will want to be relieved of the tiresome necessity of releasing them for more vital industries). A wider public, perhaps, will be content to search for clues to a simpler question: how much will the Chancellor have to hand out on April 14, and who is likely to get it?

The second major feature of the Survey, however, is that the Government refuses to give any detailed answer to these questions. There are hints a-plenty—they are discussed in some detail in the concluding section of this article—but the recurrent theme throughout is that any quantitative assessments of the trends of total demand and supply—and thus of the scope for tax reliefs—cannot or ought not to be made in a Survey of this kind. One reason for this is that the Survey is meant to be a statement of the facts or guesses on which policy is to be based, and this year many of these facts and guesses (about potential supply

TABLE I.—CHANGES IN REAL SUPPLY AND DEMAND

	Govt's original *Hopes for* 1952-53 (£ million at 1951-52 prices)	Actual outturn in 1952 (£ million at 1951 prices)
Increase in gross national product	+ 250	− 100
Increase in Govt. expenditure	+ 150	+ 325
Available for private sector	+ 100	− 425
Personal consumption	*Nil*	− 110
Fixed investment	− 250	− 35
Investment in stocks and work-*in-progress*		− 450
Change in private demand	− 250	− 595
Available for improving external balance	+ 350	+ 170

as well as about permissible demand) will depend on that policy itself. A second reason for caution is that the guesses were so wildly wrong last time.

The outstanding feature in the background to economic policy in 1953, in fact, is that Britain's unexpectedly great recovery in 1952 was achieved for a number of entirely unexpected reasons. This is clearly demonstrated by Table I, which shows the changes in real demand and supply in 1952, and compares them with the Government's original hopes and expectations for the financial year 1952-53. It will be seen at once that the private sector of the economy had some £525 million less resources available to it than the Government had expected, but that it cut its demands on those resources by some £345 million more than the Government had dared to hope. Even so, the resources available from current supplies for improvement of the external balance in 1952 amounted to only £170 million, compared with the £350 million that the Government had hoped for in the financial year 1952-53.

II—The External Surplus

HOW then, with only £170 million of reduced strain on its internal economy, did Britain achieve the extraordinary improvement in its external accounts? As Table II shows, the swing-round from 1951 to 1952 is now estimated at £572 million—from a deficit of £402 million in 1951 to a surplus of £170 million in 1952 (both figures exclusive of defence aid). No less than £569 million of this improvement was due to a reduction in payments for imports; yet the authors of the Survey believe that there has been no net fall in domestic stocks of imported commodities—consumption of imports fell in line with, and in some instances faster than, the reduction of available supplies.

The explanation of this apparently incongruous arithmetic is to be found in two special factors, and to some extent non-recurring ones, that are not recorded in Table I. In the first place, there was a sharp reduction in British-owned stocks on the high seas last year. The values of British imports paid for but not yet received, and of British exports shipped but not yet paid for, were more than £100 million lower at the end of 1952 than at the end of 1951; incidentally, these variations in the time lag between shipments and receipts—together with increased exports of second-hand ships (which are also excluded from Table I, since they did not pre-empt current resources)—explain why the monthly trade accounts provided so misleading a record of Britain's external recovery throughout 1952.

The second main factor in bridging the difference between a release of only £170 million of real internal resources and an improvement of £572 million in the external balance was the favourable movement in the terms of trade. Britain's export prices rose by some 5 per cent last year, while its import prices fell by 2 per cent; on a total trade turnover of nearly £5,800 million, these two price movements strengthened Britain's balance by about £330 million in 1952, or by twice as much as Mr Butler had originally thought they would do in 1952-53. As some offset to this, however, Britain's net invisible earnings deteriorated by £85 million last year, whereas the Treasury had originally hoped for an improvement of perhaps £100 million. Abadan and the rise in military expenditure overseas, together with the fall in dividends from Malaya and the increase in interest payments on the sterling balances, had a sharper adverse effect than had apparently been expected.

To some extent, therefore, the improvement in Britain's external balance last year was not so good as the bare figures make it look. Only £170 million of the total turn-round of £572 million was due to internal disinflation; most of the rest was due to a favourable movement in world prices (which may soon be reversed) and to the highly technical—and once for all—factor of the time lag. But there is a brighter side to the picture than this. The really significant feature of

TABLE II—U.K. BALANCE OF PAYMENTS
(£ MILLION)

	1951	Jan.-June 1952	July-Dec., 1952	Total 1952	Change from 1951 to 1952
With Overseas Sterling Area					
Exports	+ 1,275	+ 759	+ 564	+ 1,323	+ 48
Imports	− 1,275	− 609	− 627	− 1,236	+ 40*
Invisibles	+ 298	+ 134	+ 128	+ 262	− 36
Balance	+ 297	+ 284	+ 65	+ 349	+ 52
With Non-sterling Area					
Exports	+ 1,473	+ 773	+ 740	+ 1,513	+ 40
Imports	− 2,220	− 997	− 694	− 1,691	+ 529*
Invisibles	+ 48	+ 1	− 2	− 1	− 49
Balance	− 699	− 223	+ 44	− 179	+ 520
Overseas sterling area's balance with non-sterling countries	(+ 164)	(nil)	(+ 135)	(+ 135)	(− 29)
Defence aid	(+ 4)	(+ 58)	(+ 63)	(+ 121)	(+ 117)
Total sterling area balance with non-sterling countries	(− 531)	(− 165)	(+ 242)	(+ 77)	(+ 608)
Total UK Balance (excluding Defence Aid)	− 402	+ 61	+ 109	+ 170	+ 572

* Reduction of imports (which improves the current balance) is shown here with plus sign.

Britain's external recovery last year was not the extent of the total improvement nor even of the massive—and remarkably easily absorbed—cut in imports; it lay instead in the fact that £520 million of that total improvement and £529 million of the total cut in imports occurred in trade with the non-sterling countries. The result, as Table II shows, was that Britain achieved a surplus of £44 million with these countries in the second half of 1952, compared with a deficit of £699 million in the whole of 1951.

Meanwhile, the overseas sterling area countries, which are believed to have been in exact balance with non-sterling countries in the first half of 1952, achieved a surplus of £135 million with them in the second half of the year. When receipts of defence aid are included, therefore, the whole sterling area had a surplus of no less than £242 million with the non-sterling world in the second half of 1952, compared with deficits of £165 million in the first half of the year and £531 million in 1951. The constituents of this recovery are shown by the figures in parentheses in Table II.

For 1952 as a whole, therefore, the sterling area achieved a non-sterling surplus of £77 million; this is, of course, at once the sum of the direct non-sterling surpluses listed above, and of the overall deficit of £214 million incurred by the overseas sterling area, plus the overall surplus of £291 million (including receipts of defence aid) achieved by the United Kingdom. In normal circumstances this latter surplus would have been sufficient to finance a fair measure of productive overseas investment and to add to Britain's hard currency reserves. Unfortunately, 1952 was not a normal year. No less than £410 million was required to repay overseas sterling balances (which must now be down to about £3,400 million, compared with £4,168 million in mid-1951), while only £109 million (compared with £325 million in 1951) was devoted to long-term investment overseas; the gap between the sum of these figures and the United Kingdom's surplus of £291 million had to be made up by a draft of £175 million on the gold reserves and a net addition of £53 million to Britain's debt to EPU.

Now that the sterling balances are down to a more reasonable level, the Government hopes that there will be some slackening in claims for their repayment. On this basis it believes that an annual surplus of "something like £300-£350 million" will enable the United Kingdom to meet its commitments for productive overseas investment; provided the overseas sterling area plays its part, such a surplus should allow for some strengthening of the gold reserves as well. The Survey emphasises that this estimate of £300-£350 million makes allowance for some capital receipts by the United Kingdom. Since those capital receipts are unlikely to exceed last year's receipts of £121 million of defence aid, since import restrictions will clearly have to be loosened, and since the improvement in the terms of trade may now be coming to a halt, attainment of this goal will demand a formidable increase in exports.

III—Slack in the Economy

DEMAND had begun to regain its hold on the economy early in 1951; during 1952 its grip was extended and tightened. The recession in textile sales that had followed a brief post-Korea boom deepened and became more general in the first half of last year. It was then strongly accentuated by import restrictions abroad that partly strangled demand for exports not only of soft goods but of the durable consumer goods made of metal, such as motor cars and refrigerators; and in their turn some of the industries making capital equipment for consumer industries felt the slackening of demand. By the second half of 1952

> the buyer's market extended over a considerable range of engineering products in addition to motor vehicles, and there was a fall in the number of new export orders received, though there were some signs of a recovery at the end of the year.

The physical brakes on output that had been familiar since the war—capacity, manpower, and materials—limited output in 1952 only in certain basic and heavy industries: coal, steel (of which the general shortage during the winter of 1951-52 and general maldistribution ever since contributed to the slowdown in engineering), shipbuilding and some other heavy capital equipment, the building industry (except for repair work), and agriculture.

Under both types of influence, the postwar rise in industrial output had already flattened in 1951; and after the first quarter of 1952, output fell sharply to some 5-6 per cent below mid-1951 levels. During October and November, it recovered almost to the 1951 level; and it has stayed a point or two less than a year before up to the latest month on record (January this year). The fall of some 3 per cent in industrial output between 1951 and 1952 might have been expected to reduce the gross domestic product by some £250 million at 1951 prices; but the Survey puts the fall at proportionately less, "perhaps no more than about 1 per cent, equivalent to a loss of approximately £100 million at 1951 prices." That assumes a countervailing rise in non-industrial production—mainly agriculture, transport, distribution, public administration, and other services—of perhaps £150 million, but the Survey does not explain how or where this rise occurred.

Within industry, the readjustment of 1952 was profound, though partly concealed. Employment declined less than production; output in manufacturing industry, with only 1 per cent fewer workers, was down by 4 per cent. Unemployment reached 2.2 per cent (468,000) in April, and in May 5½ per cent of the operatives in manufacturing industry were working short time. Employers thus held on to labour in the hope that demand would revive; with machines as well as men under-employed, productivity fell. Industrial consumption of most imported raw materials fell faster than imports did, so that stocks of these materials rose; so did stocks of steel and coal. On the other hand,

retailers, wholesalers, and manufacturers of goods for which demand was slackening were reducing their stocks and work in progress, thus accentuating the effects of the decline in current demand upon production. From "incomplete information" the Survey concludes that "the total volume of stocks and work in progress in the United Kingdom at the end of 1952 was little different from that at the beginning of the year"—apart from the decline of £100 million in stocks on the high seas.

Last year's policies of taking demand off the metal-using industries were thus to some extent overtaken by events. The emphasis then was upon efforts to curtail industrial investment in plant and machinery;

TABLE III—GROSS FIXED INVESTMENT BY INDUSTRIES
(£ MILLION AT CURRENT MARKET PRICES)

	1948	1949	1950	1951	1952
Expenditure on equipment and buildings					
Agriculture, forestry and fishing	90	88	89	92	85
Mining	31	38	34	37	48
Manufacturing industry	373	420	492	585	628
Electricity, gas and water	136	167	196	221	245
Transport and communications*	237	260	245	235	248
New housing	340	315	315	335	430
Social services and administration	70	92	111	125	135
Other	143	170	164	179	140
TOTAL	1,420	1,550	1,646	1,809	1,953
Legal fees, stamp duties, etc.	46	49	51	53	47
TOTAL gross fixed investment	1,466	1,599	1,697	1,862	2,000
Of which					
Vehicles, ships and aircraft	272	300	283	283	278
Plant and machinery	518	586	675	794	870
New buildings and works and improvements to existing buildings	676	713	739	785	855

* Excluding the road goods transport industry which is included in "other."

and, in real terms, it did indeed fall slightly over the year as a whole. But overseas demand for certain types of capital equipment, and for motor vehicles generally, was already falling. Later in the year, therefore, the domestic quotas originally projected for items such as motor vehicles were much exceeded; yet home investment in plant and machinery is stated to have fallen fairly sharply between the first and second halves of the year.

The re-phasing of defence production could not take demand off the metal-using industries until the end of 1952; during the year as a whole defence took an increasing share of an unchanged output of metal goods. By the end of the year defence production in these industries had reached the rate of some £500 million a year; "no substantial increase above this rate" will be allowed. At that rate, defence would account for about one-seventh of the current output of metal goods, against one-twelfth in 1951 and one-eighth in the whole of 1952.

The varied experience of the metal-using industries in 1952 emphasised the diversity of the manufactures that are lumped together into this ragbag of a category, and therefore the dangers of basing hopes upon any assumptions about their unified behaviour. In 1952 the total output of these industries seems to have been about the same as in 1951; their exports declined slightly in volume, but rose 8-9 per cent in price and made up 44 per cent of the total value of all exports in 1952, against 41 per cent in 1951. In most of the metal-using industries the volume of orders on hand at the end of the year, particularly for export, was well below the volume a year earlier, says the Survey. Metal consumer goods were facing sales resistance at home as well as abroad; at the other end of the scale "many important export industries, especially those making heavy machinery, are still well booked up with orders." But this is by no means true of all capital equipment; and those industries in which demand remains high, such as shipbuilding, locomotives, aircraft, and heavy electrical goods, make up a fairly limited part of the whole engineering group. The Survey makes some play with the fact that industries whose order books have shortened can now offer more favourable delivery dates. This is obvious, and may be important where orders have been lost to foreign competitors rather than through lack of demand; but too much should not be made of it.

The flow of manpower within the economy in 1952 did not bring about the large-scale transfers that some had expected. The engineering group as a whole, for example, showed no net gain in manpower during the year; and though employment in textiles was down by about 55,000, this group of industries had been regaining labour fast in the later months of 1952 (and added 12,000 more in January). The lack of growth in the engineering group as a whole, however, concealed important shifts within this group; labour flowed from factories making metal consumer goods into the defence industries and some of the busier capital equipment industries, and even the shortage of skilled labour was moderated during the year.

The survey declares that it is too early to assess the significance of the general revival in the textile and other industries in the second half of 1952, "or to estimate to what extent it marks a change from the conditions of demand which prevailed earlier in 1952." Clearly, considerable slack has existed in the consumer goods industries since 1951; and in 1952,

> overseas demand remained high only for the heavier types of capital equipment, so that the policy of restricting home demand for metal goods in order to expand exports did not have the full results it would have achieved had world demand been maintained.

This year, the Survey concludes, resources should be available in the metal-using industries to provide for increased production of capital goods, both for home investment and for export. With adequate supplies of coal, ample supplies of steel, and no real shortage of other industrial materials, there is little doubt that the materials exist to support a considerable increase in industrial production in 1953. Labour has become somewhat more mobile, and the reserve of manpower exceeds the vacancies immediately available. The economy may be, as the Survey argues, in healthier shape to meet any increase in overseas demand than for some years past. But production no longer depends upon the mere assembly of resources. "What then," the Survey asks, "are the prospects for demand?"

IV.—Scope for "Incentive" Budgeting?

TO this crucial question the authors of the Survey studiously refrain from attempting any detailed answer—partly, no doubt, because they cannot know it in detail, but chiefly because even the attempt might reveal too much of the Chancellor's budget intentions. They do give, however, some significant indications of the way his mind may be shaping.

Having claimed that the first objectives set in 1952 have been handsomely attained, the Survey now reaffirms the longer-range objectives agreed at the Commonwealth conference, and the Government's determination to make Britain safe from the threat of recurrent crises. Past experience might make this an ominous pointer to the coming budget, since the post-war two-year cycle of recovery and crisis has been very largely attributable to the fact that external surpluses in the recovery years have never been attained without either drawing upon, or insufficiently adding to, stocks. This stoppage of stockbuilding has happened again in 1952—and there has also been the once-for-all depletion of stocks in the overseas pipe-line. Does this mean that the shadow of a new crisis may loom ahead because of the strain of re-building stocks in 1953 or 1954?

By implication, the authors of the Survey would say that this question cannot be judged by past standards, and for two reasons. First, they would emphasise the slack caused in the economy by the fall in demand, so that a reserve of potential output is available to meet any sudden increase in strain. Secondly, they would point out that the cessation of stockbuilding has itself been brought about mostly by the deliberate actions of business men (Government stocks of imported goods, the changes in which are less sensitive to the mood of the markets, have actually risen), partly in direct response to the new monetary policy and partly because of the general atmosphere of mild disinflation that it has helped to produce, so that precautionary hoarding of supplies has virtually ceased.

The first of these unfamiliar circumstances, the slack, suggests not only that output should rise if demand rises, but also that it may be expedient actually to stimulate demand—so long as that can be done in such a way as to promote the most vital types of output, and without prejudicing other vital objectives. The crucial need is for additional exports; but since these are mostly limited by overseas demand rather than by exporters' production, virtually the only ways of promoting exports by domestic policy are (1) to encourage industrial investment that will reduce export costs in future; (2) to check any rise—and, if possible, induce a fall—in export costs now, to help Britain to capture a larger share of the (limited) overseas demand.

The second unfamiliar circumstance, the change in stockholding habits, suggests that even a substantial increase in production might not, after all, create as great a need for additional stocks and work-in-progress as earlier postwar experience might suggest—provided, of course, that no new inflation is permitted.

With these new circumstances in mind, what shape might be envisaged for the balance sheet of real resources in 1953? If production merely maintains its present level, its total for the year should be £250 million or so above that for 1952; but this would mean that the rising tendency of productivity had entirely stopped since the second half of 1951. Given a sufficient demand, therefore, the potential gain in production should be substantially greater than £250 million. The Survey points to several known sources of expanding demand. In the calendar year the central government is likely to absorb an additional £125 million of real resources, mainly on defence (though only £70 million more in the fiscal year 1953-54), whilst local authorities may take a further £25 million. The ultimate target for new houses is reaffirmed at 300,000 a year, and new building will expand further this year (partly because of the relaxations on office building and the rise of defence building to its peak), but building repairs will decline further as war damage work dwindles. But, although these investment demands, and also those of certain basic industries, may be somewhat larger, the authors of the Survey seem to doubt whether other industrial investment in plant and machinery will rise at all unless some new stimulus is given.

Consumption, after its fall in the first half of 1952, has since shown a rising tendency, but the minor boomlet that developed in some directions just before Christmas seems to have subsided. An unexpected feature is that the cuts in the food subsidies last year imposed a smaller burden (£55 million) upon consumers than the value of the countervailing social reliefs (£60); but this odd relationship may be mildly reversed this year.

The impression that this rather tedious arithmetic leaves is that if the potential scope for additional output is regarded as substantial—say, over £400 million—then some stimulus of demand may be needed to bring forth any larger increase than that. The big question-marks over the budget are the size of the potential, and the extent to which any efforts to mobilise it would threaten renewed pressure upon industrial costs or impede the still highly desirable switches of labour to certain capital goods industries. And if the answers to these questions suggest that there is safe scope for granting a stimulus, it is towards industrial investment and general incentive that the relief should go. The Chancellor this year may have an enviable opportunity; but he likewise has an unenviable responsibility.

The Building Industry—II

Management among Builders

THE war smashed the complex, hair-spring adjustments of house-building under prewar private enterprise. The large contractors, who had hitherto done little house-building, came out of the war with more trained labour, organisation and machinery, but relatively less outlet for it except house-building in view of the restrictions on commercial and many other forms of construction work; the small "general builder" had waxed fat on war damage at cost-plus and also was ready to try his hand. But the specialist builder, who had made a profit in house-building, had been out of the game for six years, "pooled" on war work; his specialist teams were scattered, his organisation and capital dissipated.

At the same time, local authorities became the sole building agents; the builder became simply a contractor organising sub-contractors. There was no undue risk, or seemed none; firms rushed in and tendered successfully who had never built houses before the war and would have been bankrupted if they had tried. The big contractors turned largely to houses and flats; the engineering industry was given the chance to put surplus wartime capacity to use in providing non-traditional houses; and the small builder expanded in the inflationary sunshine. Success ceased to be measured by the tightness of organisation on the site and instead depended upon skill in the procurement of materials.

The management concerned with building houses, therefore, was far less experienced and economy was subordinated to output. Shortages of materials, inadequacies in transport, and lack of knowledge produced site delays, which inflation aggravated by putting a premium on the over-ordering and hoarding of materials. Labour, on the other hand, was scarce under conditions of full employment, piecework was impossible or ineffective, and to indiscipline was added every discouragement in the form of site delays. Builders adjusted their organisation to the tenders that they could secure, instead of planning production ahead to fit exactly the potential of their organisation as they did before the war. And the builder's ambitions were no longer tempered by the need to risk his own money. It was—and still is—possible for an experienced and careful builder to lose his best men to an inefficient rival who by cutting margins too finely has obtained a larger contract than he can handle. This means trouble for the inefficient man in the long run—but it may put the efficient man out of business in the short run.

These difficulties were increased rather than lessened by the greater use of architects and surveyors by local authorities in the designing and planning of houses. Houses have undoubtedly been better designed, but the rigidity of specifications and nomination of sub-contractors by architects has deprived the builder of his ability to make do and substitute. Expensive methods have sometimes been forced on the builder with attendant delays; and the process of saving the nation from the jerry-builder has been paid for at unnecessary expense to the ratepayer. Architects knew little about the technology or economics of house-building before the war, and many builders deny that they have learnt much since. They are certainly responsible for long delays in completion of contract documents and they have utterly failed to encourage improved cost planning.

★

The situation on the site has thus been transformed. It used to be self-adjusting; today time-keeping and supervision are necessary, but in addition the builder's foreman must be the site organiser, adjusting the phasing of operations to irregular arrivals of materials—sometimes materials that must be used in a new way or with the greatest economy, so that adaptation is the order of the day. The foreman has often to improvise because there has been inadequate pre-planning, which itself is the result of delays in placing contracts after the acceptance of tenders. Differences of efficiency among builders are shown by the very wide variations in man-hours required to finish identical houses—between 1,565 and 4,645, according to one enquiry. The pre-war builder roughly calculated that he put up a house a year per man employed; to-day it would be nearly a house per two men.

It is not surprising that costs have soared in these circumstances; it is remarkable that they have been held at all. The delays and disorganisation caused by local authority control are put at £100 per house by knowledgeable builders. Lowered productivity must account for at least a further £100; according to a work study conducted by the Building Research station in 1947, a quarter of the manhours consumed in putting up the shell of a house were wasted by unavoidable delays from such causes as weather or non-arrival of materials, while one half was wasted avoidably—so that brickwork that cost £335 to erect ought to have cost only £245 at the most.

Incentive schemes have reduced this waste only when associated with management and organisation of pre-war quality. An increasing minority of firms are able to operate bonusing schemes successfully, fixing a price for the job which repays in speed of completion an increase in wages-cost which may raise a man's remuneration from £12 to £16 a week, though incentive payment has not in general proved the panacea some people hoped. The large contractor, in particular, offsets his high overheads for transport and site supervision by good phasing and a measure of pre-planning. A progress department follows up deliveries to site,

with a special section to concentrate on any critical shortages that threaten costly delays. Delays arising from weather are minimised by both pre-fabrication and site-fabrication. Components are delivered ready to fix, and every house is treated as an "issue," controlled by tight stock control that aid forward planning; roofs, for example, are sawn and assembled under temporary cover, which also houses portable power to drive tools. While the small builder's foreman may be beaten by technical problems arising out of unfamiliar materials, the large contractor is often able to ring the changes on substitutes and non-traditional components, which his research department can examine so that they can be delivered to site ready to fix.

Nonetheless, large contractors are disposed, even now, to take a cautious view of their contribution to housing method. Though they build competitively in concrete and steel, by dint of mechanisation and organisation, they take only large contracts, not less than 100 houses, and only thus do they show as good results as the traditional house built by an efficient medium-sized builder. They doubt their ability to deal in small batches on odd sites, which still make up the bulk of building, and in future may make up an ever greater proportion of it. Nobody is more conscious of the sheer natural competitiveness of bricks, mortar, wood and craftsmanship than those who have developed other materials successfully.

Non-traditional methods are making an ever-larger contribution to productivity, but many hasty assumptions have been falsified. Both the steel and aircraft industries proved that they could build largely prefabricated houses in quantity but they cost more and the difficulties of site-preparation, transport, phasing, labour-management and the general rough and tumble of building astonished and discouraged their advocates, who were inclined to think in terms of smooth factory production. Nonetheless, before metals had to be taken off the housing menu, some systems were nearly competitive. Pre-fabricated houses for export are now considered competitive with traditional houses in cost, and indeed exports rose from £80,000 in 1949 to £7 million in 1952. No less significant, the schools traditional and non-traditional building programme has shown what can be done by planning by engineers, architects and local authorities in concert with scientific research. Between 1949 and 1952 the cost per place in schools was reduced by 50 per cent; the area per place was reduced by 30 per cent and the cost per square foot by 22 per cent despite the rise in building costs. Standards were raised and the cost and quality of non-traditional building compared favourably with traditional (besides being carried out without diverting craftsmen or materials from housing). It proved to be much faster in terms of site-time.

Much, therefore, has been learnt from experiment, and building has been enriched by new materials that fit well into any system. Outstanding examples which have eased shortages and reduced costs are Thermalite breeze blocks made from power station waste products for walls and partitions; rubber floor coverings which enable the builder to dispense with wood boards upon a concrete ground floor (and would do the same for upper floors if pre-stressed concrete was competitive with timber at £97 a standard, which in Britain, unlike France, it is not); plasterboard for ceilings and quick-drying plasters; quick-drying plastic and emulsion paints; pre-jointed plastic or copper plumbing. But by contrast, interior finishing is still in the hands of the plasterer using methods unchanged since the middle ages: in this and in other ways the craftsman is indispensible to the process of joining, waterproofing and "covering over" which is the art of house construction.

The same may be said of mechanisation. Site-preparation is eminently work for the digger and earth shifter—but not where the land is uneven. Few contractors would care to compete with the pre-war subcontracting gangs who would dig the foundations and sewer trenches of a house at £10 a time with spades and barrows. Mechanisation, like prefabricated components, pays off only on long runs and with adequate working capital.

STRUCTURE OF THE BUILDING INDUSTRY
(May, 1950)

Size of employing firm	General building*		Specialist building†	
	No. of firms	No. of operatives	No. of firms	No. of operatives
Employing 0 operatives	45,524	...	3,705	...
" 1–5 "	45,018	106,488	4,006	9,596
" 6–10 "	11,629	88,561	1,212	9,185
" 11–19 "	6,818	97,582	731	10,440
" 20–30 "	3,473	84,393	371	8,934
" 31–50 "	2,484	96,770	291	11,205
" 51–70 "	990	59,273	129	7,649
" 71–99 "	727	60,716	89	7,441
" 100–499 "	1,065	200,931	148	30,275
" 500–999 "	80	53,952	14	8,643
" 1,000–4,999 "	49	91,938	7	11,556
" 5,000 and over	4	33,153	...	...
Total	117,861	973,757	10,703	114,924

* Covers general builders, building and civil engineering contractors, plumbing, joinery and carpentry, painting, roofing, plastering, glazing, demolition, scaffolding, shopfittters and miscellaneous firms.
† Covers constructional engineers, reinforced concrete specialists, heating and ventilating, electrical contractors, asphalt and tar-sprayers, plant hiring firms and flooring contractors.

Thus, in the last analysis, economic and managerial considerations prove more important than technological. Indeed, technological applications that seem promising will await reorganisation to produce their results for productivity. The problem is not to equip the large contractor—though taxation precludes him from investing in all the machinery he needs—but to provide the small man with tower cranes or mechanical diggers when he can use them. The concluding article will examine the conditions in which developments already helping to increase productivity can be speeded up.

Business Notes

A £400 Million Shortfall

THE out-turn of the Budget for 1952-53 proves to be even more unsatisfactory than seemed likely a few weeks ago. Last summer, when the gap between performance and budget expectations first became large, the official view was that most of it would be closed by an improvement later in the year. But in fact the improvement lasted for only part of the "revenue" quarter just ended, and for the whole of it the surplus was a mere £7 million better than in 1952. Hence the year ends with an "above-line" surplus, after provision for sinking fund, of only £88 million, whereas the budget had envisaged a surplus of £511 million (including the £80 million of net savings expected from cuts in subsidies not actually shown in last year's financial statement). The shortfall from the budget expectations therefore amounts to no less than £423 million. By comparison with the actual results of the previous fiscal year, which closed with an above-line surplus of £380 million, the deterioration as shown by the Exchequer returns is £292 million; but the true deterioration is £85 million worse than this, because defence expenditure in 1952-53 was brought into the accounts only after deducting that amount drawn from the sterling "counterpart" fund for defence aid.

THE DEFICIT ANALYSED
(£ million)

	Expectation		Out-turn		
	Original Estimates	Expected change from 1951-52 Out-turn	1951-52	1952-53	Actual Change
Ordinary Revenue	**4,661**	**+228**	**4,433**	**4,439**	**+ 5**
Total Above-line Expenditure					
Debt Service (including sinking fund)	575	+ 34	541	612	+ 71
Other	3,660	+147	3,513	3,824	+311
	4,235	**+181**	**4,054**	**4,436**	**+382**
Less: Defence Aid	85	− 85	...	85	− 85
	4,150	**+ 96**	**4,054**	**4,351**	**+297**
Ordinary Expenditure					
Above-line Deficit or Surplus	*+ 511*	*+131*	*+380*	*+ 88*	*−292*
Below-line Expenditure (net)	*− 506*	*+ 45*	*−551§*	*−524*	*+ 27*
Overall Deficit	**+5**	**+176**	**−171§**	**−436**	**−265**

§ Including £25 million net issues to Civil Contingencies Fund.

The "below-line" account, however, showed a small improvement on 1951-52 experience, though it fell short of the budget hopes. Net expenditure below-line absorbed £524 million, compared with £526 million in 1951-52 if net charges to the Civil Contingencies Fund in that year are excluded and £551 million if they are included. The upshot therefore, is an "overall" deficit of £436 million on the basis adopted in the Exchequer return, or one of £521 million on the basis comparable with 1951-52, when the deficit was only £171 million (or £145 million if the net borrowing from the CCF is excluded). On the first basis, the Chancellor had budgeted, in effect, for an overall surplus of £5 million; on the true basis he was budgeting for a deficit of £80 million (i.e., ignoring the "counterpart" fund).

Disinflation Hits Revenue

THE causes of this disappointing performance are distributed more or less equally between the shortfall of revenue and the unexpectedly large rise in expenditure. As the accompanying table shows, the budget envisaged an expansion of revenue by no less than £228 million, but it actually rose by only £5 million. Income tax, which had been expected to yield £136 million more, rose by only £67 million; profits tax (including EPT), expected to rise by

THE TREND OF REVENUE
(£ million)

	Twelve months to Mar. 31, 1953		Estimates for full year 1952-53	
	Actual	Change on 1951-52	Budget estimate	Expected change on 1951-52
Inland Revenue—				
Income Tax	1,736·2	+ 67·5	1,804·2	+135·5
Sur-tax	131·2	+ 1·6	123·0	− 6·6
Death Duties	151·9	− 31·2	175·0	− 8·0
Stamps	50·3	− 11·7	57·5	− 4·4
Profits Tax and Excess Profits Tax	376·1	+ 60·7	452·0	+136·6
Excess Profits Levy	3·0	+ 3·0	5·0	+ 5·0
Other Inland Revenue Duties	2·0	− 1·3	0·5	− 0·1
Special Contribution			1·5	− 1·2
Total Inland Revenue	**2,450·6**	**+ 88·7**	**2,618·7**	**+256·7**
Customs and Excise—				
Customs	1,024·5	+ 26·0	1,043·5	+ 45·0
Excise	739·1	− 14·2	772·0	+ 18·7
Total Customs and Excise	**1,763·6**	**+ 11·8**	**1,815·5**	**+ 63·7**
Motor Vehicle Duties	67·7	+ 2·4	64·1	− 1·1
Surplus Receipts from certain Trading Services	...	− 75·5	12·0	− 63·5
Post Office (Net Receipts)	...	...	...	...
Broadcast Receiving Licences	14·8	+ 0·7	15·0	+ 0·8
Receipts from Sundry Loans	24·7	− 0·7	26·0	+ 0·6
Miscellaneous Receipts	117·4	− 22·1	110·0	− 29·4
Total Ordinary Revenue	**4,438·7**	**+ 5·3**	**4,661·4**	**+229·0**

£137 million, rose by only £61 million; customs and excise yielded only £12 million more, whereas £64 million had been expected. With the exception of surtax (£7 million above estimate), motor duties and miscellaneous receipts (down by only £22 million, instead of the expected fall of £29 million), every revenue item disappointed the budget expectations. This experience, which contrasts sharply with that of earlier postwar years, reflects very clearly the swing from persistent inflation and sellers' markets into an almost world-wide climate of mild disinflation and buyers' markets. To the extent that this is so, the revenue shortfall, as such, is not quite so disheartening in its implications as it may seem at first glance; it certainly cannot be judged simply by past standards.

The force of disinflation has also had some impact on the expenditure side of the account. The new monetary policy, which has played an important part in bringing about Britain's recovery in 1952—as the Economic Survey clearly shows—has been partly responsible for the addition of £63 million to the interest cost of the national debt; and sinking fund provision has also been larger. This influence, however, accounts for only a small part of the total rise in above-line expenditure—by £297 million, without counting the £85 million that is concealed in the accounting of the counterpart fund. At the time of the budget an increase of only £96 million was envisaged. Not all of this uncovenanted growth of expenditure, however, represents true current expenditure. Last year's estimates presupposed a decline in Government stocks, but, in fact, these stocks have increased.

Gold—Fixed and Free

IN an election speech at Johannesburg last week Mr Havenga, the South African Finance Minister, let a long-suspected cat out of the bag when he declared that Mr Butler "pressed the case" for a higher dollar price of gold during his recent discussions in Washington. This does not mean, of course, that there are yet any great grounds for hoping that this pressure may be successful. But the sterling area's interest in this matter is underlined by new provisional estimates of world gold production in 1952; as the accompanying table shows, sterling area countries are believed to have produced some 14.6 million ounces of gold last year, out of a total world production of 26.4 million ounces.

These estimates are compiled by the Union Corporation and they are included as usual in the Annual Bullion Review of Samuel Montagu and Co. The latest issue of this review, which has long been an urbane and authoritative guide to events on the world's free gold markets, deserves special mention in its own right; it appears one hundred years after Mr Edwin L. Samuel, "banker and bullion merchant" of Liverpool and Mr Samuel Montagu of London joined forces as Samuel and Montagu and set up shop in Leadenhall Street. The review estimates that over 12 million fine ounces of gold were absorbed by the free market during 1952, compared with 9½ million ounces in 1951; some 10 million ounces of the 1952 absorption represented newly mined gold, while the other 2,000,000 ounces came from various institutional holders of gold. It is expected that the gold offered in the free market in 1953 will be at least as great as in 1952, and might be "much greater" if South Africa decided to abrogate the self-imposed rule that limits its free sales to 40 per cent of its output. But the review adds that "the demand for gold in the free market remains strong and we see no reason to suppose that it will not easily absorb all that is likely to be offered."

This confidence is all the more challenging because it follows the admission that the bullion market on the mainland of China has virtually disappeared, thanks to the "knife and the noose of totalitarian methods." The temporary demise of the Chinese market is picturesquely described in the columns of the *Far Eastern Economic Review*:

> Canton gold market has come to an end, not even one transaction being reported for several weeks now. The authorities there have succeeded to stamp out all business in bullion. Elsewhere in China gold trading has long ago been suppressed and the once active China black market has been obliterated. It appears impossible to reintroduce illegal bullion and exchange business, so perfect is the control or rather the terrorism of the authorities. The internal spy system, coupled with draconian punishment meted out to offenders, has entirely wiped out illegal market operations.

The review's forecast of a continued bullish undertone to the free gold market must also, of course, have been made before hopes began to rise of an improvement in the world political situation.

WORLD GOLD PRODUCTION
(Thousands of fine ounces)

	1950	1951	1952*
South Africa	11,664	11,516	11,800
Other Sterling Area countries	2,583	2,636	2,764
Canada	4,441	4,392	4,450
USA	2,289	1,895	1,938
USSR†	2,000	2,000	2,000
Other countries	3,602	3,579	3,448
Total	**26,579**	**26,018**	**26,400**

* Estimated production. † Gold production in the USSR in all three years is an estimated nominal amount.

Rising Bank Deposits

THE clearing banks' statement for March makes an inauspicious prelude to the budget. The seasonal contraction of bank deposits ordinarily loses most of its impetus after the end of February but, even so, the banks' make-up for March generally shows some further modest contraction in the volume of deposits. Yet in the four weeks to March 18th net deposits rose by £22 million, in contrast with declines of £12 million, £25 million and £59 million in the three preceding years, respectively. The credit trend during the "revenue" quarter as a whole, therefore, has been very much less satisfactory than was originally hoped; over the three months net deposits have dropped by £312 million, or by £38 million less than they fell in the similar

period last year. Government repayments of indebtedness to the banking system in these three months seem, indeed to have been only fractionally larger than in the similar months last year. They have therefore wholly failed to correct the inflation of credit caused by the heavy Government borrowings last summer and autumn, and over the twelve months to mid-March last net deposits have expanded by nearly £160 million.

The immediate cause of the deterioration of the credit trend in the past three months, and especially in March, has, however, been the upturn of demands by borrowers other than the central government itself. Bank advances rose in March by nearly £26 million, or by almost twice the amount of the corresponding rise last year; their total now stands £55 million above the low point of £1,744 million touched last November (in contrast with a rise of only £21 million in the first four months of the swing towards orthodox monetary policy). The past few months have likewise witnessed some re-expansion of the banks' portfolios of commercial bills. The rise in advances certainly owes much to the heavy borrowings of the electricity and gas industries, but there equally seems little doubt that the private sector as such has been absorbing additional supplies of credit. Investment portfolios have declined for the third successive month, the latest reduction being £7½ million; but this tendency can perhaps be regarded as the counterpart (though probably an indirect one) of the "departments" preparations for the redemption of the 1951/53 War Bonds on March 1st last. This is the season of the year at which the banks' liquidity ratios normally reach their lowest point; yet the average dropped only fractionally in March, to the still quite comfortable level of 32.9 per cent, compared with 31.8 per cent twelve months ago.

Recovery in Output Sustained

A REVISION of the industrial production index for January now puts output during that month at 115 (average 1948 = 100), which is the same as in January, 1951, but two points lower than in January, 1952. The index for February, on the basis of information so far received (which the Central Statistical Office considers may be slightly too favourable) is forecast as 117-118, which would be lower than in either of the two previous years (the index was 122 in February, 1951, and 120 in February, 1952). The comparisons with the two previous years are recorded because it was in 1951 that the postwar pattern of output and productivity in a seller's market first began to be moderated as the forces of demand gradually extended a more traditional control over output. No clear new trends have yet emerged though discussion of the possibilities forms a major part of this year's Economic Survey.

OFFICIAL INDEX OF INDUSTRIAL PRODUCTION
(Average 1948—100)

	All Industries			Manufacturing		
	1951	1952	1953	1951	1952	1953
January ...	116	118	116	119	120	117
February ..	122	120	(117-118)	125	123	
March	116	123		118	126	
April	122	110		126	112	
May	116	117		121	120	
June	122	112		127	113	
July	111	101		114	102	
August	104	98		107	97	
September .	121	115		124	116	
October ...	121	118		125	120	
November ..	123	122		126	124	
December .	113	111		115	112	

The Austin Strike

THE Austin Motor Company has thrown a spanner into the smooth machinery of negotiation by announcing that the strike that had partially paralysed the company's Longbridge works since February 17th no longer exists. Signs of the stresses set up by this decision could be detected in the Minister of Labour's statement in the House of Commons on Tuesday, when he said that the union involved, the National Union of Vehicle Builders, has written asking for intervention by the Ministry and that talks "with the parties concerned" were going on. Since Austin has decided that there is no strike, the Minister is clearly having some difficulty in persuading the management that there is any issue demanding conciliation. A further statement was promised before the House rose on Thursday —after this issue of *The Economist* went to press.

The background to this strike is deceptively simple; it conceals a certain amount of friction between the company and this particular union. Last autumn, the Austin works dismissed about 700 men, and in subsequent months has taken back rather more than 400 of them. The union has complained that subsequently men were taken on who had not previously been employed at the works. It decided to make a test case of the reinstatement of one of the dismissed men, a senior shop steward. The company refused to take him back, and the union called out its 2,000 members. This threw out of work a good many of the 14,000 or so other men employed in the factory and also many at component factories supplying Austin. After weeks of stalemate, the management made two announcements. The first was that all those men on strike would be dismissed if they did not report back to work within a given time; the second was that all the members of other unions who had been put out of work by the strike would be taken back and paid for a guaranteed 34-hour week until normal production could be resumed. About 800 of the strikers went back to work, but the union immediately prepared to extend the strike to other factories of the British Motor Corporation, and to enlist the co-operation of the other unions. Austin, meanwhile, is not expected to take any further steps before Easter; after the holiday it is likely to carry out its avowed intention of notifying any vacancies to the labour exchanges, through which it is prepared to re-employ the dismissed strikers. The company is presumably hoping that more of the men will return in the next few days.

Although this is one of the few official strikes to have been called in the motor industry—last year's stoppages were all unofficial—there have been no signs so far that the other

ABRIDGED REPORT

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

SEVENTY-SECOND ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 1952

TO THE SHAREHOLDERS:

The volume of transportation service provided by your Company in 1952 was in excess of that of any previous year. The record grain harvest in Western Canada, together with a continued high level of activity in industry and in the development of natural resources, resulted in heavy demands upon your railway facilities.

Notwithstanding a new peak in freight traffic and gross earnings, railway net earnings were equivalent to only 6.3 cents per dollar of gross, the same as in 1951. The average revenue received by your railway for its principal service, the carriage of freight, was 1.30 cents per ton mile and was less than in 1950 and 1951. On the other hand, both labour and material costs were substantially higher.

The Income and Profit and Loss Accounts of your Company show the following results for the year ended December 31, 1952.

INCOME ACCOUNT

Gross Earnings			$457,808,969
Working Expenses			428,878,189
Net Earnings			$ 28,930,780
Other Income			22,651,775
			$ 51,582,555
Fixed Charges			12,504,010
Net Income			$ 39,078,545
Dividends:			
Preference Stock—			
2% paid August 1, 1952	$ 1,556,832		
2% payable February 2, 1953	1,545,550		
		$ 3,102,382	
Ordinary Stock:			
3% paid August 1, 1952	$10,313,703		
3% payable February 27, 1953	10,350,761		
		20,664,464	
			23,766,846
Balance transferred to Profit and Loss Account			$ 15,311,699

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance, December 31, 1951		$252,947,332
Balance of Income Account for the year ended December 31, 1952	$15,311,699	
Portion of steamship insurance recoveries representing excess over net book value, S.S. *Princess Kathleen*, and compensation for *increased cost of tonnage replacement*	2,225,088	
Excess of considerations received for sales of properties over book values	305,415	
Miscellaneous Net Debit	333,088	
		17,509,114
Profit and Loss Balance, December 31, 1952, as per Balance Sheet		$270,456,446

RAILWAY OPERATIONS

Increasing for the sixth successive year, railway gross earnings amounted to $457.8 million and exceeded the previous high of 1951 by $28.9 million. Freight earnings, which provided more than four-fifths of gross earnings, were up $25.7 million.

The volume of freight traffic rose by 8% in terms of ton miles, and was greater than in any previous year. There were decreases in the tonnage of many manufactured commodities, and total tonnage would have been below the 1951 level but for the substantial increase in *grain handlings*.

Passenger earnings increased $1.2 million. While there was a decrease in the number of passengers carried, a higher proportion of long haul traffic resulted in an increase in total revenue passenger miles.

Gross express earnings were up $4.4 million. About $2 million of this increase was due to higher rates. Net revenues, which are carried to railway earnings as compensation for the haulage of express traffic, increased $1.5 million.

Net earnings from railway operations were $28.9 million compared with $26.8 million for 1951, and $38.0 million for 1950. The ratio of net to gross earnings, at 6.3%, was less than one-half of the average for the previous twenty-five years.

GENERAL BALANCE SHEET, DECEMBER 31, 1952

ASSETS

Property Investment:		
Railway, Rolling Stock and Inland Steamships	$1,100,587,702	
Improvements on Leased Property	126,867,977	
Stocks and Bonds—Leased Railway Companies	135,092,295	
Ocean and Coastal Steamships	62,922,995	
Hotel, Communication and Miscellaneous Properties	106,711,816	
		$1,532,182,785
Other Investments:		
Stocks and Bonds—Controlled Companies	$ 72,631,987	
Miscellaneous Investments	45,202,285	
Advances to Controlled and Other Companies	7,862,061	
Mortgages Collectible and Advances to Settlers	1,077,404	
Deferred Payments on Lands and Townsites	5,823,589	
Unsold Lands and *Other Properties*	8,266,002	
Insurance Fund	13,188,540	
Steamship Replacement Fund	21,527,340	
		175,579,208
Current Assets:		
Material and Supplies	$ 57,256,249	
Agents' and Conductors' Balances	19,013,712	
Miscellaneous Accounts Receivable	21,307,874	
Government of Canada Securities	54,960,200	
Cash	49,826,104	
		202,364,139
Unadjusted Debits:		
Insurance Prepaid	$ 542,448	
Unamortized Discount on Bonds	3,574,700	
Other Unadjusted Debits	3,262,380	
		7,379,528
		$1,917,505,660

LIABILITIES

Capital Stock:		
Ordinary Stock	$ 345,025,375	
Preference Stock—4% Non-cumulative	137,256,921	
		$ 482,282,296
Perpetual 4% Consolidated Debenture Stock	$ 390,273,997	
Less: Pledged as collateral to bonds	97,716,300	
		292,557,697
Funded Debt		112,516,000
Current Liabilities:		
Pay Rolls	$ 19,883,903	
Audited Vouchers	11,683,082	
Net Traffic Balances	2,349,609	
Miscellaneous Accounts Payable	10,387,364	
Accrued Fixed Charges	845,355	
Unmatured Dividends Declared	11,896,312	
Other Current Liabilities	28,392,883	
		85,438,508
Deferred Liabilities		3,922,694
Reserves and Unadjusted Credits:		
Depreciation Reserves	$ 533,051,345	
Investment Reserves	1,645,781	
Insurance Reserve	13,188,540	
Contingent Reserves	4,118,819	
Unadjusted Credits	3,838,682	
		555,843,167
Premium on Capital and Debenture Stock		37,263,157
Land Surplus		77,225,695
Profit and Loss Balance		270,456,446
		$1,917,505,660

ERIC A. LESLIE,
Vice-President and Comptroller.

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unions, or the TUC, have much sympathy with the vehicle builders. Both sides, however, have been markedly reticent in providing information about the real nature of the dispute. For that reason alone, intervention by the Ministry of Labour might do a good deal to clear the air. The Austin management's attitude is not an unreasonable one, but it has yet to be demonstrated that a dispute can be made to vanish simply by denying its existence.

Capital Francs for Tourists

One of the more exotic of the many varieties of French francs has recently emerged from the jungle of the exchange market and stepped out into the open country roamed over by the tourist. It is the capital franc, a species that has some family relationship to Britain's blocked sterling and that is dealt in on a market that resembles, though somewhat remotely, the market in security sterling. Under existing French exchange regulations, foreigners who own investments in France may not sell them in order to repatriate the proceeds, but must hold the proceeds of any such sales in the form of these capital francs. The general rule has been that capital francs may be used for re-investment or for meeting current expenditure in France. Their transfer is allowed from one non-resident account to another in France—but only provided that the accounts concerned are in the names of residents in the same country. As a result of this rule, there are as many sub-varieties of capital francs as there are countries whose residents have ever invested in France. There are, therefore, markets in American, British, Dutch, Belgian and many other of these sub-varieties. By far the most important is the market in American capital francs, which is fed not only by the proceeds of capital transactions but also, and much more heavily, by the blocked portion of American film earnings in France. British capital francs have in the past been used by some important banking and commercial firms that had local payments to make in France ; in that respect, incidentally, the authorised uses of capital francs have always been much wider and more liberally conceived than those of security sterling.

The new development in the past two weeks is that the French exchange control has now officially condoned arrangements under which capital francs can be made available for tourist expenditure. The rule of limiting transfers within a single residential group still applies, so that British tourists are entitled to spend only British capital francs ; in order to obtain these they must buy French travel cheques in Britain—which can be obtained through the joint stock banks in the ordinary way—instead of taking their tourist or business allocations in the normal form of sterling travellers' cheques. The snag is that if the tourist does not spend all his allocation, he may find some difficulty in reconverting his unutilised capital francs when he gets back home again. The Bank of England has intimated that it has no objection to the use of capital francs by British tourists, provided the amount issued to each individual is limited to the basic tourist ration. The increase in the demand for British capital francs has already been reflected in the rate, which has hardened from F.1150 to F.1075 in the past ten days ; at this rate the new type of franc would be nearly 10 per cent cheaper than the official franc (at Frs. 980 to the pound).

Towards a Tin Truce

The attempt, abandoned in 1950, to reach an international tin agreement is to be resumed. At the conclusion of its meeting last week the International Tin Study Group announced that it had agreed "to set up a working party open to all members of the group." This working party will consider international action regarding tin and, if necessary, report to the United Nations that conditions exist for "the resumption of the 1950 Geneva conference on tin." The opposition of the United States to the operation of a buffer stock caused the "adjournment" of the conference in 1950 ; since it has now apparently agreed to setting up the working party, there may have been a step forward, however tentative, towards an international agreement. The subsequent announcement of renewed truce talks in Korea has caused a number of commodity prices to fall, and in a fairly active market the London price of spot tin dropped by £12 to £930 a ton.

The working party, when it meets on June 15th, will have to take account of two major considerations, one statistical and one historical. Statistically, world consumption of tin has been falling since 1950 while production has continued to rise. Historically, there are bitter memories: American consumers think they were overcharged in the thirties as a result of the operations of the tin producers' scheme of those years, and they believe they were "gouged" more recently, at the beginning of the Korea crisis. That ill-feeling led to the American buyers' strike of 1951, which enraged producers in Malaya who felt the fight against Communism was hard enough without an added economic blow. But now producers and consumers, including the United States, are prepared to talk again. This is the beginning of a truce in tin ; it is early to say whether it will lead to the beginning of an agreement.

The Comet and Airworthiness

The task of the British Air Registration Board in attempting to persuade the American Civil Aeronautics Board to accept British certificates of airworthiness for jet airliners in general—and, in particular, for the Comet IIIs ordered by Pan American—should be made a little easier by the report published in Pakistan of the cause of the fatal Comet crash at Karachi last month. The aircraft was on a delivery flight to Canadian Pacific Airlines and the pilot had not put in many hours flying Comets. He took off under conditions that called for very close observance of the instructions, but made precisely the same mistake as the more experienced BOAC pilot who crash-landed his Comet at Rome airport last October. This was to raise the nose of the aircraft too high during its take-off

run. When the angle between the nose and the run-way is kept at about 6 degrees, take-off is normal. But if the angle is raised to more than 9 degrees, it creates so great an increase in drag that the engines cannot get the aircraft off the ground.

There is a danger that pilots converted from flying piston engined to jet airliners will under-estimate the vast difference between the two types of aircraft, and while they do, tragedies of this kind may still happen. The training course is being modified to take this into account, but it may be necessary to add one more instrument to the already overcrowded cockpit in order to measure the position of the nose in relation to the runway. This is governed by the position of the control column, but two successive errors of this kind suggest that a second check is desirable. The investigation has cleared the Comet of any doubts as to its airworthiness and safety, and to that extent has answered recent American critics—one of them a member of the Civil Aeronautics Board itself—who have been saying that jet aircraft are unsafe at take-off. But it does not resolve such fundamental points of dispute as the position of the engines. Present American thinking insists that these should be suspended below the wings. There is no aero-dynamic justification for this ; it was a method of construction that was first adopted by American jet aircraft designers simply because they used wings too thin to house jet engines in any other way. But while basic misunderstandings about points of design persist, nothing that the Air Registration Board can do by way of sending detailed answers to detailed American technical queries—as it has done recently—can bring matters much further forward.

The Price of an Engine

THE history of the Proteus aero-engine, as outlined by the Comptroller and Auditor General last week, is fortunately not typical of all aero-engine development. The cost of most development work in the aircraft industry is financed by the Ministry of Supply, and the average cost of developing an aero-engine, in these days, can be put very roughly at £4 million. By the end of March last year, nearly £10 million had been spent on the Proteus project, and more than £13 million may have been spent before it is completed.

The Bristol Aeroplane Company began work in 1944 on the Proteus as a turbo-prop engine for long-range operation. It was intended to build first a low-powered pilot design (the Theseus) and follow this with a full-scale engine of 4,000 to 5,000 horse power. The probable cost of developing these engines was expected to be rather less than £500,000 ; they were to power those two flying dinosaurs, the Brabazon airliner and the Princess flying-boat. The engine was not developed as successfully or as speedily, as was necessary, and although this was not the main reason for the eventual abandonment of the Brabazon and Princess, it was a contributory factor. The Theseus pilot project was dropped after £3,600,000 had been spent on it ; a pure jet version was scrapped when expenditure had reached £600,000. The first two versions of the Proteus, both of which were failures, accounted for a further £5,600,000 by March, 1952. Most gas turbine engineers believe that the reason for these failures lay in the design chosen for the compressor. The engine now under development, the Proteus III, uses a different type of compressor, and is for all practical purposes a new engine. But a further £3 to £4 million may have been spent, in addition to the £10 million already accounted for, before the Proteus III is ready for commercial operation in Bristol's Britannia airliner in 1955. The cost to the public of developing the Brabazon, the Princess and their engines has been probably around £30 million, all of it a total loss. On the credit side, experience on these projects has contributed much towards the successful Britannia, with its Proteus III engines. This is a prolonged and expensive way of buying experience. It raises the question whether, in such cases, another company fresh to the problems might not more profitably be given an opportunity to try its hand at projects that have already baffled one group of designers.

Aluminium in Plenty

FROM the beginning of April, the Ministry of Materials' selling price of virgin aluminium has been reduced by £5 to £161 a ton delivered into consumers' works. The Ministry buys most of its aluminium from Canada, and the reduction in selling price merely reflects the recent strengthening of sterling in terms of the Canadian dollar. There has been no reduction in the price charged by the Canadian producers. On the contrary, North American prices for aluminium have remained extremely firm, in response to the continued pressure of American demand for metal. Mr Nathanael Davis, president of the Canadian Aluminium, Ltd., said recently, that although the world shortage of the metal is over, defence and stockpile requirements in the United States continue to exceed supply. Indeed, now the United States has had to supplement its normal supplies—which come partly from home production and partly from imports from Canada—by further "borrowing" of Canadian metal that was under contract for purchase by this country.

In this country the shortage of metal had eased by June last year. In the whole of 1952 new supplies of virgin aluminium amounted to 262,000 tons, of which 234,000 tons came from imports and the balance from home production ; the output of secondary metal was a little under 100,000 tons. Total consumption of aluminium last year reached some 297,000 tons (about 200,000 tons of this being virgin metal) and although no figures of commercial stocks are available it is known that fears of a reduction in aluminium prices have led consumers to run down their stocks in the last few months of the year.

Since December consumption itself has fallen away sharply and in January it amounted to only 20,000 tons. The slackening of demand has affected secondary as well as virgin aluminium and there have been heavy falls in the price of most grades of scrap although the purer grades are still short. Practically all the aluminium using industries have been using less of the metal. Demand from the aircraft industry—one of the main users—has declined with the slowing down of the rearmament drive. The motor vehicle industry—which uses large quantities of cast aluminium products—and the hollow-ware industry have

encountered falling sales both at home and in the export field. For a time during the latter part of 1952 increased requirements of aluminium for export in the semi-manufactured state helped to cushion the slackening of demand elsewhere, but these exports are now encountering much heavier competition, notably from Germany. In the circumstances it is not surprising that the Ministry has readily agreed that another 50,000 tons of the 250,000 tons of Canadian metal which were due to be delivered to Britain can be diverted to the United States this year. Nor is it surprising that the Ministry has opened negotiations with the Canadian producers for handing back the metal to private trade. Once again the Ministry are baling out of a falling market.

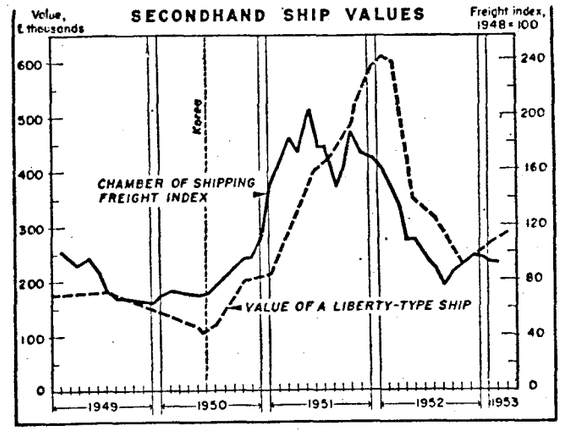
Neguib's Cotton Market

THE Egyptian government has announced that it does not intend to reopen the Alexandria cotton futures market that it closed suddenly last November. At that time it argued that because of the absence of a Liverpool futures market and of a shortage of dollars that prohibited operation on the New York futures market, the market in Alexandria could not cover its operations and that its fluctuations in price had become dangerously violent. The Egyptian Government considers that these reasons still hold good, and it intends to continue its present system of fixing buying and selling prices. The selling price for government cotton will still be related to the previous day's closing price in New York for American cotton ; at present there is an addition of 30 per cent for Karnak and 5 per cent for Ashmouni cotton. The buying price, however, will not be subject to any such fluctuations. It will be fixed for the season on the basis of an estimate of costs of production, and the government has already given warning that its buying prices for next season may be set lower than for the current season.

These announcements are made after the return of the Egyptian cotton mission from its tour of Europe. There is little doubt that the mission was able to inform the government that consumer countries raised no serious objections to the present Egyptian arrangements. The mission was no doubt also able to report that the price reduction in Ashmouni resulting from the addition of 5 instead of 10 per cent on New York prices, announced while the mission was on tour, was very well received in Europe. The mission incidentally learned that there is no hostility in Lancashire to buying cotton from Egypt—at somewhat lower prices.

Secondhand Ship Values

THE prices of secondhand ships fluctuate even more rapidly than freight rates, but they do tend to follow the graph of freight rates—a few months in arrear. This trend is well illustrated in a graph that accompanies a ship sale and purchase market report issued by Harley, Mullion and Co., Ltd., in respect of the first quarter of this year. This compares the prices at which ships of the Liberty type have changed hands during the last four years, set beside the movement of the Chamber of Shipping index of sterling freight rates for tramp shipping during the same period. Before the outbreak of war in Korea, Liberty ships were being sold for as little as £125,000, when the tramp freight index was about the 70 mark (1948 = 100). The steep subsequent rise in freight rates was exceeded by the rise in price of Liberty ships ; but this rise in secondhand values did not take place until between three and six months after that in the freight index. This relationship has held good throughout the decline in freight rates, except that the temporary dip of freight rates



in the summer of 1951 was smoothed out in the graph of secondhand prices. But in the last three or four months, the trend of secondhand values diverged from that of freight rates. On the evidence, it may be that the value of secondhand prices for Liberty ships is due for a sharp drop.

Reviving hopes of settlement in the Korean dispute, which is still artificially swelling activity in the Pacific trades, suggests that the secondhand ship market is in for a sharp decline, which may exceed that of the freight index itself. During the last three months the price paid for a Liberty ship has increased from about £260,000 to £280,000 ; this rise has been attributed to a reluctance to sell on the part of Greek shipowners, particularly in New York and London. Some British liner companies, on the other hand, have been quietly releasing their "stopgap" tonnage on the market.

SHORTER NOTES

Argentina has again disappointed British exporters. Under the Anglo-Argentine protocol which was signed on New Year's day Argentina should have issued exchange permits for the import of £1,500,000 of non-essential British manufactured goods before last Wednesday. On the pretext that the two countries cannot agree upon which goods should be included in the list, it has taken no action at all.

★

Imperial Chemical Industries, Ltd., is to build a Canadian plant for the manufacture of its synthetic fibre "terylene." The $20 million needed to build the plant will be raised in Canada, and the scale of production proposed is expected to be sufficient to meet Canadian demands.

Company Notes

FORD MOTOR. The return to more competitive conditions in the motor industry may have been the final spur that pricked Ford Motor into a policy of closer integration between its assembly plant at Dagenham and Briggs Motor Bodies, the company that manufactures motor bodies for it. It has therefore applied for—and received—Treasury endorsement of its plan to acquire from Briggs Manufacturing Company and other United States interests 1,243,938 ordinary shares in Briggs Motor, at a price of $7.21 a share (ex the dividend of 12½ per cent just declared by the directors of that company). These purchases from the United States will give Ford Motor control over about 62 per cent of the issued capital of Briggs Motor. Most of the remaining 756,062 shares are in the hands of British shareholders, and for each of these Ford Motor is offering two new Ford ordinary shares and 5s. in cash; the existing Ford shares now stand at 56s. 6d., but as there is to be a share for share scrip issue in respect of these shares, the offer is equivalent to 61s. 6d. for each Briggs share. On the eve of the announcement the latter were quoted at 48s. 1½d. This is therefore plainly a very attractive offer.

As with the Austin-Morris merger it may be some time before this financial operation leads to any production economies, but ultimately it might buttress a wall against the chill winds of recession. Last year these winds were blowing less frighteningly in Ford's markets than in those of some of its competitors. In fact, in spite of the restrictions imposed in some foreign markets and in spite of last summer's strike at Dagenham, Ford succeeded in selling 164,760 vehicles in 1952, or only 912 less than in 1951; and in spite of the price reductions introduced in the middle of last year, the value of total sales increased from £70.2 million to £83.9 million and trading profits advanced from £11.3 million to £11.9 million.

Unfortunately for shareholders, the happy story ends there. Higher charges for depreciation (including a provision for exceptional depreciation) and for taxation (£5.7 million including £1.1 million for EPL), coupled with an increase in the provision for back service pension contributions, have reduced net profits from £3,984,512 to £3,029,526; the directors have also shown their awareness of the problem of replacing fixed assets at current values by setting aside £2.5 million to reserves for this purpose. It is not surprising, therefore, that the ordinary dividend has been left unchanged at 15 per cent. On the assumption that dividend disbursements will not be increased just because nominal capital is being increased—and no shareholder should expect that they will be—the £1 ordinary shares at the current price of 56s. 6d. yield 5.3 per cent.

	Years to Sept. 30, 1951	Years to Sept. 30, 1952
Consolidated earnings :—	£	£
Profit, before tax	2,890,764	2,772,904
Exceptional income	104,568	215,676
Taxation	1,117,170	1,074,018
Net profit	*639,290*	*597,108*
Ordinary dividends	124,112	172,677
Ordinary dividends (per cent)	7½	7½
Retained by subsidiaries	324,019	282,179
General reserve	200,000	250,000
Added to carry forward	29,921	93,228

£1 ordinary stock at 30s. 6d. yields £4 18s. per cent.

★

DE HAVILLAND. There was a murmur—in fact almost a growl—of disappointment in the market when the De Havilland ordinary dividend was announced. Immediately after the announcement, the £1 ordinary stock units were marked down 1s. 4½d.; and in the following day of trading they fell by another 1s. 7½d. to 30s. 4½d. Investors had hoped that the dividend would soar with the Comet—perhaps to 10 per cent. Instead the company announced that a dividend rate of 7½ per cent would be maintained on an ordinary capital of £4,385,459; in 1950-51 the same rate was paid on a capital of £2,740,912, and a quarter of that rate was paid on a capital of £1,644,547 (in accordance with the terms of the new issue of that capital). The dividend disappointment was accompanied by what appeared to be a blot on the company's recent record of steadily expanding profits; in the year to September 30th last profits (struck after all charges except taxation) fell from £2,890,764 to £2,772,904, and net profits fell from £639,290 to £597,108.

It is possible that this fall in profits merely reflects the rather arbitrary incidence of contract completions in the aircraft industry. But it may also reflect the heavy cost of the company's capital development programme; certainly the massive outlays on that programme provide one of the main reasons for the restraint in dividend payments. As with the Hawker Siddeley dividend, the directors' decision may also, of course, be affected by political as well as economic overtones. Nevertheless, although De Havilland may soon reach the peak of its production for military aircraft, profits should increase in the current year; at the top of this wave, the directors should take the opportunity to increase the dividend—if only as a reward for patience.

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BRITISH OXYGEN. When British Oxygen followed up its scrip issue in mid-1952 with a cash issue of ordinary shares last November, it set in train some divergent market guesses about what its final rate of dividend would be for the year to December 31st. Most guesses ranged from a dividend of 7½ per cent to one of 9 per cent. In fact, the company has fulfilled the most sanguine expectations by declaring a dividend of 9 per cent on a capital of £8,117,698, in addition to an interim dividend of 6 per cent on a capital of £6,244,383. These two dividends are equivalent to 22½ per cent on the capital existing in 1951, when a dividend of 20 per cent was paid. The increase in equity payments has certainly been justified by the year's results. Trading profits have advanced from £4,595,414 to £5,577,376 and net profits (after a much heavier charge for taxation) from £1,146,323 to £1,250,858. The directors are able to report that last year's trading was characterised by a "satisfactory and sustained growth in sales"—a growth that was aided by new capital development. On this showing, shareholders can probably expect—and they will certainly hope—that a dividend of 15 per cent will be paid on a capital of £8,117,698 in the current year. On that basis the £1 ordinary stock units, at the current price of 54s. 3d., would yield 5½ per cent.

	Years to Dec. 31, 1951	Years to Dec. 31, 1952
Consolidated earnings :—	£	£
Trading profit	4,595,414	5,577,376
Depreciation	1,352,945	1,602,284
Taxation	1,965,134	2,523,101
Net profit	*1,146,323*	*1,250,858*
Ordinary dividends	437,107	580,259
Ordinary dividends (per cent)	20	15
Retained by subsidiaries	294,484	366,610
General reserve	250,000	250,000
Added to carry forward	100,440	*Dr.10,833*

SECURITY PRICES AND YIELDS

Prices, Year 1953 Jan. 1 to Mar. 31 High	Prices, Year 1953 Jan. 1 to Mar. 31 Low	British Funds and Guaranteed Stocks	Price, Mar. 25, 1953	Price, Mar. 31, 1953	Gross Yield, Mar. 31, 1953 £ s. d.
99⅛	99⅛	W. Bds. 2½% '52-54	99⅛	99⅛	2 16 3f
98⅛	98⅛	Exch. 2½% 1955	98⅛	98⅛	2 16 10
99⅛	99⅛	Exch. 3% 1960	99⅛	99⅛	3 1 7
99⅛	99⅛	S. Fundg. 1½% '53	99⅛	99⅛	2 16 5
98⅛	98⅛	S. Fundg. 1½% '54	98⅛	98⅛	2 15 9
100⅛	100⅛	S. Fundg. 3% '55	100⅛	100⅛	2 17 1
99⅛	98⅛	W. Bds. 2½% '54-56	99⅛	99⅛	2 16 11
99⅛	99⅛	Fundg. 2½% '52-57	99⅛	99⅛	2 17 10f
101⅛	99⅛	N. Def. 3% '54-58	100⅛	100⅛	3 0 11
101⅛	99⅛	W. Loan 3% '55-59	100*	100⅛	2 19 5f
94⅛	91⅛	Savings 3% '55-65	94⅛	94⅛	3 12 3f
95⅛	93⅛	Fundg. 2½% '56-61	95⅛*	95⅛*	3 2 8f
89⅛	86⅛	Fundg. 3% '59-69	88⅛*	88⅛xd	3 18 9f
91	87⅛	Fundg. 3% '66-68	90⅛	90⅛	3 16 9f
100⅛	98⅛	Fundg. 4% '60-90	99*	99⅛	4 2 0e
87⅛	85⅛	Savings 3% '60-70	87⅛	87⅛	4 0 3f
87⅛	84⅛	Savings 2½% '64-67	86⅛*	86⅛*	3 14 8f
101⅛	100⅛	Victory 4% '20-76	100⅛	101⅛	3 18 4c
85⅛	82⅛	Savings 3% '65-75	84⅛	85⅛	4 0 9f
88⅛	86⅛	Consols 4% (aft. '57)	88⅛	88⅛	4 11 2f
79⅛	77½	Conv. 3½% (aft. '61)	79⅛*	79⅛	4 8 2f
59	57⅛	Treas. 2½% (aft. '75)	58⅛*	58⅛	4 4 11f
69⅛	67⅛	Treas. 3% (aft. '66)	69⅛*	69⅛*	4 6 4f
90⅛	87⅛	Treas. 3½% '77-80	90⅛	90⅛	4 3 3f
79	76	Redemp. 3% '86-96	78⅛*	78⅛	4 0 8f
80⅛	77⅛	W. Loan 3½% (aft. '52)	80	80⅛	4 8 9f
60⅛	58⅛	Consols 2½%	59⅛*	59⅛*	4 3 7f
85⅛	83⅛	Br. Elec. 3% '68-73	85⅛*	85⅛	4 0 11f
84⅛	82⅛	Br. Elec. 3% '74-77	84⅛	84⅛	4 0 4f
101⅛	99⅛	Br. Elec. 4½% '74-79	99⅛	100⅛	4 5 0e
					4 5 0f
91⅛	88⅛	Br. Elec. 3½% '76-79	91⅛	91⅛	4 1 11f
80⅛	76⅛	Br. Tpt. 3% '78-88	80⅛	80⅛	4 2 2f
85⅛	83⅛	Br. Tpt. 3% '68-73	85⅛*	85⅛	4 1 0f
97⅛	95⅛	Br. Tpt. 4% '72-77	97⅛	97⅛	4 5 6e
					4 4 9f
80	76⅛	Br. Gas 3% '90-95	78⅛*	79*	4 0 7f
93⅛	91⅛	Br. Gas 3½% '69-71	92⅛	92⅛	4 1 5f
90⅛	87⅛	Br. Iron & Steel 3½% '79-81	89⅛	90	4 2 8f

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Prices, Year 1953 Jan. 1 to Mar. 31 High	Prices, Year 1953 Jan. 1 to Mar. 31 Low	Ordinary Stocks	Price, Mar. 25, 1953	Price, Mar. 31, 1953	Yield, Mar. 31, 1953 £ s. d.
6⅜	£5 18 3	Anglo-Am. 10/-	6⅜	6⅜	4 12 4
6⅜	5⅞	Anglo-Iran £1	5⅞	5⅞	5 3 3
80/1½	75/9	Assoc. Elec. £1	79/-	79/-	5 1 3
107/3	103/3	Assoc. P. Cem. £1	106/3	106/3	5 3 6
131/6	123/6	Bass £1	126/3	126/3	6 18 3
21/4½	19/9½	Boots 5/-	20/3	20/3	4 18 9
26/6	21/4½	Brad. Divers £1	26/-*	25/6*	7 16 10
24/10½	21/4½	Br. Celanese 10/-	23/3	23/6	4 13 7
6/10½	5/8½	Br. Motor Cp. 5/-	6/9	6/6	8 0 0g
56/4½	48/6	Br. Oxygen £1	54/-	54/3	5 10 7
$61⅛	$53⅛	Can. Pac. $25	$56⅛	$53⅛	5 1 8
48 1½	43/9	Coats £1	46/6	46/-	5 8 8
42/7½	37/7½	Courtaulds £1	41/-	40/6	5 11 1
44/1½	35/4½	Cunard £1	42/10½	42/6	7 1 3
17/7½	16/4½	Distillers 4/-	17/6	17/3	5 4 4
52/-	43/4½	Dunlop £1	51/3	50/-	7 0 0
61/-	50/3	Ford £1	60/-	56/10½	5 8 8
46/-	41/6	Gen. Elect. £1	43/6	43/6	8 3 5f
55/4½	48/9	Guest Keen £1	54/9	54/9	5 9 7
31/1½	29/4½	Guinness 10/-	29/9	29/9	5 14 3
42/10½	37/1½	Hawker Sid. £1	41/3	39/9	5 0 8
49/3	43/10½	Imp. Chem. £1	47/3	46/6	5 11 10
57/6½	52/6	Imp. Tobacco £1	55/9	55/3	7 4 9e
$84½	$77½	Int. Nick. n.p.	$79⅛	$78	6 19 1
71/-	48/6	J'burg Con. £1	69/-	67/6	5 3 8
45/6	38/6	Lancs. Cotton £1	44/6	43/-	6 19 6
67/-	62/9	Lon. Brick £1	63/1½	63/1½	5 10 11
54/10½	46/3	Marks & Sp. A 5/-	54/-	54/-	3 14 1n
24/4½	21/6	Monsanto 5/-	22/-	22/-	5 2 4
60/6	52/9	P. & O. Def. £1	59/-	59/6	5 12 1
36/3	31/6	P. Johnson 10/-	33/6	32/9	7 12 8
38½	32⅛	Prudentl. 'A' £1	37	37	5 8 0
20⅜	17⅛	Rhokana £1	19	17⅛	12 15 4
66/6	59/6	Rolls Royce £1	65/-	65/-	4 12 4
86/-	75/7½	"Shell" Stk. £1	82/6	84/4½	5 8 7f
62/9	60/3	Tube Invest. £1	61/10½	61/3	4 18 0h
55/8½	49/-	Tur. Newall £1	53/9	52/9	4 14 9g
48/10½	45/9	Unilever £1	48/3	47/3	5 14 3
28/4½	21/6	Union Castle £1	27/-	27/-	4 12 7h
43/-	39/-	Union Disc. £1	41/-	41/-	4 17 7
33/7½	28/-	Utd. Molass. 10/-	31/3	29/3	6 15 9
41/3	36/-	U. Sua Betong £1	38/1½	38/1½	19 13 5
49/6	44/6	Vickers £1	49/1½	48/7½	5 2 10
52/1½	44/3	Woolworth 5/-	50/9	51/3	8 7 4

(*f*) Yield basis 22·9 gross. (*g*) Yield basis 10⅞%. (*h*) Yield basis 15%. (*k*) Yield basis 6⅛%. (*n*) Yield basis 40%. (*o*) Yield basis 20%. (*p*) Yield basis 11⅛%. (*q*) Yield basis 12⅝%. * Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the 10 days ended March 31, 1953, total ordinary revenue was £134,255,000, against ordinary expenditure of £212,078,000 and issues to sinking funds £478,000. Thus, including sinking fund allocations of £35,227,000 the surplus accrued since April 1, 1952, was £68,124,000 compared with a surplus of £379,733,000 for the previous financial year.

	Estimate, 1952-53 £'000	April 1, 1951 to Mar. 31, 1952	April 1, 1952 to Mar. 31, 1953	9 days ended Mar. 31, 1952	10 days ended Mar. 31, 1953
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1804,225	1668,749	1736,233	59,343	56,880
Sur-tax	123,000	129,600	131,200	4,700	6,600
Death Duties	175,000	183,000	151,850	3,900	4,500
Stamps	57,500	61,900	60 250	2,100	1,600
Profits Tax & EPT	452,000	315,400	376,100	11,200	9,400
Excess Profits Levy	5,000	...	3,950	...	750
Special Contribution and other Inland Revenue	2,000	3,270	2,020	60	30
Total Inland Rev.	2618,725	2361,919	2450,603	81,303	78,760
Customs	1043.500	998,497	1024,498	20,083	24,085
Excise	772,000	753,285	739,093	19,490	19,735
Total Customs and Excise	1815,500	1751,782	1763,591	37,573	43,820
Motor Duties	64,150	65,211	67,658	683	...
Surplus from Tradg. PO (Net receipts)	12,000	75,455	...	...	...
Broadcast Licences	...	...	...	7,728	...
Sundry Loans	15,000	14,150	14,800	1,350	1,200
Sch. (incl. Surplus War Stores)	26,000	25,393	24,681	...	...
	110,000	139,482	117,382	10,532	10,475
Total Ord. Revenue	4661,375	4433,392	4438,715	123713	134255
SELF-BALANCING					
Post Office	209,235	190,050	209,900	10,278	6,500
Income Tax on EPT Refunds	4,900	5,525	5,192	142	72
Total	4875,510	4628,967	4653,807	134133	140827
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
CIV. EXPENDITURE					
Home & Man. of Nat. Debt	575,000	513,599	576,411	2,990	2,773
Payments to N. Ireland	40,000	39,435	44,662	2,040	2,904
Other Cons. Funds	10,000	11,678	10,483	57	461
Total	625,000	564,712	631,555	5,087	6,138
Supply Services	3805,021	3461,547	3683,809	182909	205940
Total Ord. Expend.	4430,021	4026,259	4315,364	187996	212078
Sinking Funds	...	27,400	35,227	438	478
Total (excl. Self-Balancing Expd.)	4430.021	4053,659	4350,591	188434	212556
SELF-BALANCING					
Post Office	209,235	190,050	209,900	10,278	16,500
Income Tax on EPT Refunds	4,900	5,525	5,192	142	72
Total	4644,156	4249,234	4565,683	198854	219128

After increasing Exchequer balances by £187,373 to £3,591,554, the other operations for the 10 days increased the National Debt by £9,553,211 to £26,024 million.

NET RECEIPTS (£ THOUSAND)

P.O. and Telegraph (Money) Acts 1950 and 1952	13,500
Miscellaneous Financial Provisions Acts 1946 and 1950 and Civil Contingencies Fund Act 1952	75,000
E.P.U. (Financial Provisions) Act 1950 s.3	183
	88,683

NET ISSUES (£ THOUSAND)

Housing (Temp. Accomn.) Acts 1944 and 1947	30
EPT Refunds	87
Armed Forces (Housing Loans) Act, 1949, s. 1(1)	1,050
Local Authorities Loans Act, 1945, s. 3(1)	15,150
New Town Acts 1946 and 1952	1,669
Coal Industry Acts 1946 to 1951	400
Miscellaneous Financial Provisions Act 1946, s. 2(1) War Damage: War Damage Commission	1,000
Finance Acts, 1946 and 1947: Postwar Credits	361
	19,747

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	36,258	2½% Def. Bonds	750
Nat. Savings Certs.	1,700	3% Def. Bonds	2,988
2½% Def. Bonds	1,640	2½% Nat. War Bonds 1951-53	250
Tax Reserve Certs.	11,894	3% Terminable Annuities	1,270
		Other debt Internal	1,535
		Ways and Means Advances	24,845
	41,192		31,638

FLOATING DEBT (£ MILLION)

Date	Treasury Bills Tender	Treasury Bills Tap	Ways & Means Advances Public Depts.	Ways & Means Advances Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
Mar. 31	4,373·1		337·9	...	...	4,611·0
Dec. 27	4,716·2*		252·1	6·8	...	4,974·1
1953						
Jan. 10	4,636·1*		249·1	...	...	4,885·3
" 17	3,010·0	1,669·6	261·7	...	...	4,831 3
" 24	2,980·0	1,515·9	288·2	...	...	4,764·1
" 31	2,940·0	1,494·2	250·6	...	...	4,684·8
Feb. 7	2,910·0	1,414·1	248·0	...	...	4,569·1
" 14	2,890·0	1,416·1	235·1	...	...	4,541·2
" 21	2,870·0	1,441·5	270·8	1·8	...	4,584·1
" 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
" 14	2,820·0	1,546·5	276·1	...	...	4,635 6
" 21	2,819·0	1569·5	332·2	...	...	4,711·7
" 28	4,406·6		303·5	3·8	...	4,713·9

* In consequence of official purchases of tender bills in connection with cash subscriptions to the new issues of Serial Funding Stock, it is impossible to calculate the division between tap and tender bills until all the bills purchased have passed their original maturity date.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1952					
Mar. 28	210·0	240·2	210·0	47 3·61	81
Dec. 24	250·0	291·0	230·0	48 4·36	69
1953					
Jan. 2	180·0	249·7	180·0	47 8·20	63
" 9	180·0	264·2	180·0	47 7·91	57
" 16	200·0	293·6	190·0	47 11·44	48
" 23	190·0	285·3	190·0	47 11·47	49
" 30	190·0	306·3	190·0	47 11·05	37
Feb. 6	220·0	315·8	220·0	48 3·19	51
" 13	220·0	257·2	220·0	48 7·78	62
" 20	230·0	321·7	230·0	48 7·90	56
" 27	250·0	314·4	230·0	48 0·25	66
Mar. 6	240·0	326·9	240·0	48 0·25	65
" 13	250·0	286·4	250·0	47 11·74	67
" 20	260·0	351·0	260·0	47 11·78	63
" 27	280·0	334·6	280·0	48 0·20	67

On March 27th applications for 91 day bills to be paid from March 30 to April 2 and 4, 1953, were accepted dated Monday to Thursday and Saturday as to about 67 per cent at £99 8s. 0d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million were offered on April 2nd. For the week ended April 4th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Total 51 weeks ended Mar. 22, 1952	Total 51 weeks ended Mar. 21, 1953	Week ended Mar 21, 1953
SAVINGS CERTIFICATES :—			
Receipts	183,100	184,400	3,900
Repayments	133,600	135,300	2,300
Net Savings	19,500	19,100	1,600
DEFENCE BONDS :—			
Receipts	55,584	69,914	2,175
Repayments	69,822	80,709	2,630
Net Savings	*Dr 14,238*	*Dr 10,795*	*Dr 455*
P.O. AND TRUSTEE SAVINGS BANKS :—			
Receipts	691,176	721,241	13,361
Repayments	780,799	844,221	16,176
Net Savings	*Dr 89,623*	*Dr 122,980*	*Dr 2,815*
Total Net Savings	*Dr 84,361*	*Dr 114,675*	*Dr 1,670*
Interest on certs. repaid	33,637	37,561	655
Interest accrued	124,118	126,571	2,462
Change in total invested	+ 6,140*	— 25,685	+ 137

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

MARCH 25, 1953

NOTES ISSUED:	£		£
In Circulation	1488,753,840	Govt. Debt	11,015,100
In Banking Department	61,602,983	Other Govt. Securities	1535,758,736
		Other Securities	715,845
		Coin (other than gold)	2,510,319
		Amount of Fid. Issue	1550,000,000
		Gold Coin and Bullion (at 24s. per oz. fine)	356,823
	1550,356,823		1550,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	343,119,439
Rest	3,979,967	Other Securities	22,070,100
Public Depts.	46,665,195	*Discounts and Advances*	*6,169,445*
*Public Accts.**	*14,026,127*	*Securities*	*15,900,655*
H.M. Treas. Special Acct.	*32,039,068*		
Other Depts.	363,298,576		
Bankers	*288,310,257*	Notes	61,602,983
Other Accts.	*74,988,319*	Coin	1,704 216
	428,496,738		428,496,738

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	April 2	Mar. 11	Mar. 18	Mar. 25
ISSUE DEPT. :—				
Notes in circulation	1,394·0	1,481·0	1,481·8	1,488·8
Notes in banking department	56·4	19·3	18·5	61·6
*Government debt and securities**	1,446·7	1,496·7	1,496·8	1,546·8
Other securities	0·8	0·8	0·7	0·7
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT. :—				
Deposits :—				
Public Accounts	10·8	14·3	16·6	14 6
Treas. Special Acct.	0·5	32·0	32·0	32·0
Bankers	282·2	281·9	281·7	288 3
Others	82·4	70·8	71·5	75·0
Total	375·9	399·0	401·8	409·9
Securities :—				
Government	282·9	378·9	378·0	343·1
Discounts, etc.	29·4	3·2	7·1	6·2
Other	24·1	14·4	15·1	15·9
Total	336·4	396·5	400·2	365·2
Banking dept. reserve	58·0	21·1	20·2	63·5
	%	%	%	%
"Proportion"	15·4	5·2	5·0	15·4

* Government debt is £11,015,100, capital £14,553,000. *Fiduciary issue raised from £1,500 million to £1,550 million on March 25, 1953.*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1953	Silver London per ounce	Silver New York per ounce	Silver Bombay per 100 tolas	Gold Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Mar. 26	74·0	85·25	156 12	84 13
" 27	74·0	85·25	157 1	86 3
" 28	Markets closed		Markets closed	
" 30	74·0	85·25	159 10	86 7
" 31	74·0	85·25	158 1	85 4

COMPANY MEETINGS

THE STEETLEY COMPANY, LIMITED

SALES, TONNAGES AND EFFICIENCY AGAIN HIGHER

EFFECTS OF PENAL EXCESS PROFITS LEVY

MR N. M. PEECH'S STATEMENT

The twenty-third annual general meeting of The Steetley Company, Limited, was held on March 31st at the Royal Victoria Hotel, Sheffield, Mr N. M. Peech, chairman and managing director, presiding.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1952:

In the last annual report, an attempt was made to present a picture of what dolomite and refractories are and of Steetley's activities in these fields. It was shown that dolomite (a magnesian limestone) and other minerals, such as magnesite, silica and chrome ore are processed into refractories which are substances that have to withstand great heat without distortion of shape and which, both in granular and in brick form, are widely used in industry. For example, all the metal and some other commonly used products begin life in a furnace that is lined with refractories.

This year the intention of the report accompanying this statement is to illustrate new works, to describe the further mechanisation of processes and to show the improvements in working conditions that have been achieved since the war in the dolomite division of the company.

SEAWATER MAGNESIA

Shareholders have been advised that the company has repurchased the Palliser Works at Hartlepool from the Ministry of Materials and a new wholly owned subsidiary named Steetley Magnesite Company, Limited, has been formed to take over and operate these assets.

It has always been the board's intention to repurchase these works from their wartime owners when circumstances permitted, not only because we originated the process of extracting magnesia from dolomite and seawater, but also because ownership of this plant would provide a more solid base for the refractory brick manufacturing operations of the group in the interest of customers.

STEETLEY OF CANADA, LIMITED

The formation of this company and the parent company's participation in it to the extent of $1 million, or some £360,000, has been announced together with the public issue in Canada of $2½ million in bonds. Canada attracted us for this investment because she is now forging ahead, she has a stable Government that acts on the premise that healthy and progressive industry is the life-blood of the country, she is blessed with exceptional raw material resources, and, as the population grows, so this vast country will be further developed and steel production will expand.

After extensive surveys which revealed *inter alia* that the Canadian steel industry was relying largely on imports of burned dolomite refractories from America, it was decided that the procedure in the early days of the Steetley Company should be followed, namely, to base initial operations on the acquisition of the best dolomite quarry, strategically located, and then build processing plant (designed for Canadian market conditions) to produce dead burned dolomite refractories for the daily maintenance of steel furnaces. In order to obtain supplies of dolomite from a quarry with a big enough production to be economic, it was necessary to acquire a controlling interest in the Canada Crushed and Cut Stone Company, one of the largest crushed stone and building stone businesses in Canada. It was expedient also to acquire all the outstanding capital stock of Dolomite Refractories, Limited, a company with which Steetley has worked for many years.

The foundation of this new enterprise we believe to be sound and although Canada cannot be immune from international trade cycles, we look to the building up of a valuable asset over a period of time. Early dividends on the common stock, of which Steetley of England owns $150,000 out of an issue of $250,000, certainly are not looked for but 4½ per cent interest per annum is payable on our cumulative preferred share holding of $850,000. The new plant is expected to be in operation in the summer of 1954.

THE NEW AND RE-EQUIPPED DOLOMITE WORKS

After six years of war with every effort concentrated on production and with no opportunity of building new works, a comprehensive survey of the group activities was undertaken in 1945.

In order to obtain the greatest production per man employed in the Dolomite Division, one new big quarry and processing works in the centre of Britain would have been ideal but the railway rate element in the cost of the product to the consumer among other good reasons clearly indicated that three works, one on the NE Coast (Coxhoe), one in the centre (Cadeby) and one in S. Wales (Taffs Well) were essential.

The new Cadeby works has proved successful and it is producting some 1,500 tons of dead burned dolomite per man per annum. This is due to two main factors. First, excavators bigger than those then made in this country were imported from America for use in the quarries and second, the new dolomite processing plant was built on a straight line layout and much ingenuity was shown in the design thereof; for example, the scale car charging machines (which are not unlike those used in modern blast furnace practice) feed, with one operator per shift, 7,500 tons of raw materials weekly into the cupolas and effect great economy in labour.

The Coxhoe works has also proved successful and we have similar expectations from Taffs Well when it is completed. To meet current demands, the old Steetley works and Llynclys works meantime have to continue in operation.

The new and re-equipped works brought about a marked improvement in working conditions and the new methods greatly facilitate continuity of production in bad weather.

DIVISIONAL REPORTS

In all three divisions, sales, tonnage produced and works efficiencies were again higher than those achieved in previous years.

In the Dolomite Division, the demand for dead burned dolomite remained unchanged from 1951 until the last quarter of the year when it rose rapidly. The various works operated satisfactorily throughout the year and at the time of writing this report the re-equipment of Taffs Well works, which has presented many problems due to site conditions coupled with the necessity for maintaining production, has reached the point that the plant is operating at 50 per cent of the new rated capacity and it will shortly reach full capacity. The Ground Limestone Company makes progress.

In the Refractory Brick Division, both the Oughtibridge and Steetley Brickworks did better than ever before. The new acquisition, the Cleveland Magnesite and Refractory Company, justified the purchase price.

In the Magnesia Division, the Palliser Works had a satisfactory year although Britmag exports had to be restricted on account of important home demands. Steadily rising productions were obtained at the reopened Harrington Works which the company continues to manage for the Ministry of Materials.

GROUP TRADING RESULTS

The group trading surplus, after deducting debenture interest, depreciation and directors' fees, and adding investment income, amounts to £652,694, compared with £465,488 last year. The figure of £652,694 includes a sum of £30,149 on account of trading by the Cleveland Magnesite and Refractory Company for ten months and the Steetley Magnesite Company for three months.

The provision for taxation is £427,061. In 1945 with excess profits tax at 100 per cent at the culmination of five years of war, taxation took 61 per cent of our trading surplus and this year it takes no less than 65 per cent.

The net profit amounts to £225,633, compared with £193,512 last year. After providing £73,960 for dividends based on the same moderate rates as last year, there is left to finance an existing and expanding business and to replace old machinery only £151,673.

The penal nature of the current excess profits levy is illustrated when the company's financial advisers state that if we need another £80,000 to pay for certain new capital equipment, and if it is possible to earn such a sum after tax, through increased efficiency or by the introduction of new methods, the group surplus before tax would have to rise from £650,000 to £1 million—earnings of £350,000 to provide £80,000 of capital equipment! The excess profits levy is an intolerable burden and a negation of just what is required to raise the standard of living in Britain today, and make the country strong and prosperous.

Clearly the economic predominance of America and Canada is due to their vast plant investment and consequent increase in production per inhabitant in the last decade. Every encouragement, not discouragement, must be given to the progressive undertaking to buy new plant, to produce more per head and more cheaply to enable us to export more goods to pay for more imports. It is gratifying to read that Government spokesmen now advocate Britain rewarding hard work, making the utmost use of technical skill and giving every chance to enterprise and adventure. We now await tangible results of such a declaration.

The table in the report illustrates the meagre sums the company has paid in dividends compared with taxation and wages.

The savings from increases in productivity have been shared with customers by a steady reduction in prices relative to current wage rates and with employees in the form of higher pay packets. The company has benefited from the expansion in volume output. The position is illustrated in other tables attached to this report.

BALANCE SHEETS AND THE NEW ISSUE

Principal changes in the parent company's balance sheet reflect the issue of 46,666 ordinary shares to acquire the issued capital of the Cleveland Magnesite and Refractory Co., the additional investment of £300,000 in subsidiary companies to take up the issued capital of Steetley Magnesite Co., Ltd., and a loan from the parent company to that concern of £200,000 which, since the close of the year, has been replaced by the issue of a further £200,000 in shares and the investment of £146,376 in Steetley of Canada, Ltd. The balance of the Canadian commitment is due for payment in 1953.

The consolidated balance sheet reflects the issue of a debenture by Steetley Magnesite Co. to Her Majesty's Treasury for £450,000 and the incorporation of the assets and liabilities of the Cleveland and Steetley Magnesite Companies. The group investment in the Palliser Works, operated by the Steetley Magnesite Co., thus amounts to £950,000. There is also shown in this balance sheet the sterling equivalent of the loan capital of $2,500,000 raised in Canada (to which earlier reference has been made) and temporary accommodation from the bank pending the completion of share subscriptions by Steetley of England.

The investments in Steetley Magnesite Company, Limited, and Steetley of Canada, Limited, are making a call on the liquid funds of the company to the extent of approximately £860,000, and after careful consideration, the board decided that it would be wise to supplement the liquid resources by raising some £600,000 and that this should be done by a new issue of ordinary shares in such a way that shareholders who have supported us so well in the past should be entitled to subscribe for these shares on favourable terms. Further, it was decided, when the new issue is completed, to bring the issued capital of the company more into line with the capital employed in the business. The scheme was submitted to shareholders on February 9th and met with their approval.

BOARD AND PERSONNEL

Mr R. Kinnear, who joined the board in 1935 and has rendered valuable services to the company and to a former subsidiary company, has decided, on account of age, not to seek re-election at the annual general meeting.

Shareholders will understand from this review that it has been a busy year for all ranks of the management, staff and employees and we are indeed grateful to them for the progress and financial results achieved in 1952.

PROSPECTS

The year 1952 closed with all the principal works operating to capacity. These capacities will be moderately increased and the Taffs Well re-equipment completed this year so that, based on the current demand for our products and in the absence of unforeseen circumstances, there is reason to believe the year 1953 will yield satisfactory results.

The report and accounts were adopted; the proposed dividends were approved; Mr R. F. Summers was re-elected a director and the remuneration of the auditors, Messrs John Adamson Son and Company, was fixed.

REFUGE ASSURANCE COMPANY LIMITED

CLAIMS PAID IN YEAR—£9,300,000

The chairman, Mr W. Proctor Smith, JP, in the course of a statement on the report and accounts for the year ending December 31, 1952, said:

This company, in its contacts with millions of policyholders, deals with a financial aspect of their private lives which is of supreme importance to them; for our life assurance funds, which exceed £113 million, are held entirely for their benefit, and each one amongst them owns a share in all those securities in which those funds are invested.

We are happily free to exercise discretion in our operations, and our guiding principle is that the customer is right, unless proved otherwise, and this necessitates an organisation designed to give personal attention to all the requirements of our policyholders. Life assurance is a personal business. The canvass takes place in the client's home; the proposal form is signed there; the policy is delivered there; and in the industrial branch, and often in the ordinary branch, the premiums are collected there. Our representative is at hand to consult, and it is he who arranges for the payment of the policy moneys when claims arise.

Crippling rates of taxes discourage saving, but life assurance provides a counter to this discouragement, for its importance lies in the habit it engenders of putting aside, year after year, moneys in payment of premiums. In this connection our new business figures for last year will give pleasure. In the ordinary branch, the net new sums assured amount to £13,476,946; in the industrial branch to £14,760,577.

It is our constant endeavour to secure efficiency with the minimum of expense. Our accounts for the year are affected by higher rates of remuneration granted last year to our staff. It has been our concern to adjust our organisation to minimise the effect of this increase in our expenses, and in a large measure we have been successful.

As regards mortality, that for the past year, which did not reflect such an experience as the influenza epidemic of 1951, was more favourable, except towards the close of the year when the shabby winter conditions began to exert their influence. The effects of the London fogs were immediate: the amount paid in Industrial Branch death claims in the fortnight commencing December 4th was 2½ times as great as that in respect of the previous fortnight. In one small area death claims increased from £302 to £1,332, emphasising the expedition with which our claims are paid—an aspect of service to which the Company has always attributed great importance.

An increase in the rate of interest is ultimately an advantage, but it brings depreciation in the value of securities the Company already holds. In the case of redeemable securities, in the absence of need to sell, this depreciation is not of permanent significance, but in other cases it may be, and we have taken steps to deal with it by additions to reserves. It is possible to invest increases in our funds at more favourable rates than have ruled for many years, and we hope that the increased interest may go some way to offsetting the heavier expenses to which I have already referred.

Transfers have been made to investments reserves of £1 million in the ordinary branch and £675,000 in the industrial branch, more than covering all depreciation at the end of the year. The net rate of interest earned on the life assurance funds increased to £3 8s. 7d. per cent in the ordinary branch and £4 5s. 6d. per cent in the industrial branch. The assets of the company increased by over £5 million during the year and a considerable part of this sum has been invested in mortgages, the company's total mortgage investments now being some £14,700,000, an increase of over £3 million. This increase reflects the continued popularity of the house purchase scheme, under which nearly £4 million was advanced in 1952. The total investments in British Government and British Government Guaranteed Securities together, show some reduction but there have been significant increases in investments in debentures, preference and ordinary stocks due in part to considerable investments in new issues.

We recently made an offer to purchase the share capital of the Federated Employers' Insurance Association, Limited, an office which transacts general insurance business. This offer was accepted by the shareholders of the Association.

In the industrial branch, the policies valued were 8,464,453, assuring £170,481,872. The premium income was £9,253,301, and the life assurance fund £55,196,865. It is proposed to set aside £550,000 for allocation amongst the policyholders to grant additional benefits to existing premium-paying policies (with certain exceptions) dated prior to January 1, 1948, and to certain paid-up policies. Certain additional paid-up policies will also be granted on whole-life assurances.

In the ordinary branch, the life assurances valued were 516,847, assuring £131,405,346. The premium income was £7,128,916, and the life assurance fund £57,917,756. It is proposed to declare on with-profit policies, in respect of each year's premium due in 1952 and paid, a reversionary bonus at the rate of £1 6s. per cent on the sum assured and also, in respect of each year's premium due in 1951 and paid, a bonus at the same rate on with-profit policies becoming claims by death or survivance before March 20, 1954, thus continuing for a further year the bonus granted following the 1951 valuation. An interim bonus at the same rate will also be paid until further notice. The allocation involves a distribution to policyholders of £1,199,917, and the sum carried forward is £1,215,236, which is available towards meeting any contingency which may arise, or to be dealt with otherwise as the board may determine.

This company has long attached great importance to staff relations. There is direct access from the bottom to the top, through the appropriate associations. We value highly this friendly relationship, and the opportunity for free discussions it provides; and we appreciate the loyalty, and willing and efficient service rendered by all grades of the staff.

We shall look for, and adopt, new and better methods of administration as they arise; and particularly we shall aim to give personal and understanding service to each one of the millions of policyholders we are proud to include within the Refuge orbit.

BRITANNIC ASSURANCE COMPANY, LIMITED

TOTAL CLAIMS PAID OVER £100 MILLION

INCREASED BONUSES TO POLICYHOLDERS

Mr J. A. Jefferson, FIA, presiding at the eighty-seventh annual general meeting, said:

The salient features of the 1952 report and accounts are substantial increases in premium income, interest income, and funds. The premium income in the life branches was £10,800,000—an increase of £465,000. The gross interest income passed the £3 million milestone and amounted to £3,139,000—an increase of £271,000. The total funds showed a record increase during the year of over £5 million to nearly £80 million. The mortality experienced in both branches was much lighter than in the previous year, and the net rate of interest earned improved. It can be said, therefore, that the company made all-round satisfactory progress in 1952. During the year the accumulated total of claims paid under life policies passed the impressive total of £100 million.

ORDINARY BRANCH

Policies for over £8,200,000 new sums assured were issued in the ordinary branch in 1952. The premium income at £3,639,000 increased by £182,000, and the funds increased by over £2 million to £29,484,000. Net interest was £921,000—an increase of almost £90,000—and the rate per cent rose by 2s. to £3 5s. 6d. per cent. Death claims at £361,000 were down by £33,000, but maturities at £1,197,000 rose by £120,000. The expense rate was slightly less at 12.3 per cent, compared with 12.5 per cent.

INDUSTRIAL BRANCH

Industrial branch premiums at £7,160,000 showed an increase of £283,000, and your directors believe that we shall be able to show favourable progress in the future—as in the past. When one realises that over £2,000 million a year is spent on smoking, drink and gambling, I think you will agree that there is plenty of scope to increase the £140 million a year in premiums at present being paid on industrial assurance policies. The net interest income at £1,642,000 was up by over £193,000. The net rate rose by 5s. 3d. to £3 19s. 3d. per cent. Death claims were less by £217,000 at £1,515,000, and this was actually the lowest total in the last four years. Maturities at £1,699,000 were approximately the same as in 1951. The expense rate at 26.7 per cent was almost the same as in the previous year, and in our opinion it was an achievement to keep the rate down to this figure in a year when costs were still rising. We continue to make positive efforts by the increased use of machinery and revision of our systems to improve efficiency and limit expenses. The assurance funds for this branch increased by no less than £2,667,000 to £43,262,000.

It may be of interest to mention that 85 out of every 100 new policies issued were endowment assurances, and the bulk of the business in force is now in this class. A long-term endowment assurance in an industrial assurance office is a good investment when bonuses are taken into account, even if one takes no account of the life cover provided during its currency. The habit of thrift is formed and sustained by the regular weekly or monthly calls of the agent at the policyholder's home to collect the premiums.

The lapse rate in 1952 was the lowest ever recorded. Policies lapsed during the first year were only 12.9 per cent of those issued. Lapses and surrenders, together with free policies for reduced sums assured, came to only 3.3 per cent of the total number of policies in force.

Where payment of premiums is discontinued, I would remind you that where premiums have been paid for at least one year, an automatic proportionate free policy is granted. This means that full value is given for premiums paid, quite apart from the life cover provided, and this is readily appreciated by the policyholder.

There is no doubt that home service insurance as a thrift movement, designed to meet the habits and circumstances of the people and backed by an unequalled service, is today more thoroughly understood and appreciated than ever before. As an industry we are still continuing to spread information about our activities, in the sure belief that the more that is known about our business the greater the chance that any criticisms—now fortunately less frequent and less ill-informed—will be seen in their proper perspective.

INVESTMENTS

During 1952 there was a further general fall in stock exchange values, but I think the future will show this movement to have been merely the dying swing of the pendulum after so long a period of artificially sustained gilt-edged prices. Whilst the fall from the dizzy heights of a 2½ per cent atmosphere to the surer ground of a 4½ per cent basis has caused severe depreciation over the last few years, I have no doubt that economically the nation is the sounder for this readjustment. Actually our greatest falls have been in British Government securities, of which we hold no less than £36 million.

To many of us the inevitability of this fall had been apparent for many years and we always had in mind the need to be ready to face it when it came. I hope that we can now take the view that the worst is over. We can therefore look back and see how we have weathered this storm. We emerge from it in a sound position without resort to any abnormal transfers. Our investment reserves of £5,700,000 adequately cover the depreciation as at December 31st, which results entirely from valuing fixed interest securities (the majority of which are in redeemable form) at present market values.

Mortgages through our house purchase scheme increased by £2,282,000, and again showed the greatest individual increase among our assets. The only other item calling for comment is an increase of £1,474,000 in ordinary shares. Whilst we are still believers in sound ordinary shares, we have had to take great care in their selection for two reasons. Firstly, there is the very disrupting effect of Excess Profits Levy which, if too long maintained, could have a stultifying effect upon the expansion of British Industry, and secondly, there is the probability of a shrinkage of profit margins in some trades. The first factor is, I hope, only temporary, whilst the second will have little effect upon the dividends of those sound companies which have adopted a cautious policy and paid dividends well within their earning capacity.

It is a source of pride and pleasure to state that despite the depreciation of securities which has had to be covered during the last two or three years, it has been possible to value the policy liabilities on the same strong bases used during the last few years, namely, by the net premium method at 2 per cent interest. If the improved yield on new investments continues, larger profits should emerge in future and our bonus prospects are improved by reason of the fact that we did not weaken our valuation bases.

INCREASED BONUSES

In the ordinary branch the surplus was £1,228,712, including £288,748 brought forward. The directors have allocated the increased sum of £708,854 to with-profit policies, which enables them to declare a reversionary bonus of £1 10s. per cent on the sum assured—an increase of 2s. on the 1951 declaration. The sum allocated to policy holders is almost £84,000 more than a year ago.

In the industrial branch the surplus was £2,344,077, including £681,876 brought forward. The directors have allocated £800,000, against £740,000 in the previous year, for bonuses to Britannic policies, which again enables them to improve the vested reversionary bonus scheme. Inclusive of those previously declared, the bonuses on premium-paying policies in force on December 31, 1952, on which 10 years' premiums had then been paid, will be 8 per cent, increasing by 1 per cent for each additional year's premiums paid, up to a maximum of 31 per cent for 33 or more years' premiums paid. All the policies to which these bonuses have been added were issued without any right to share in profits.

TAXATION

Profits Tax and Excess Profits Levy have this year absorbed £135,000 against £90,000 last year, but that is not the whole story. Taking income tax in each branch, together with the Profits Tax and Excess Profits Levy, the total provided for tax by the company this year came to £704,000, whilst the net dividends paid to our preference and ordinary stockholders totalled £243,000. In meeting the Excess Profits Levy, the unexpended balance brought into the profit and loss account has provided a useful buffer and although it has declined during the year, it still stands at the substantial figure of £393,000.

We advanced £3,398,000 under our house purchase scheme during the year, and after deducting repayments the net increase in mortgages in force was £2,282,000.

In conformity with the general rise in interest rates, we raised the rate of interest for new advances from 4½ per cent to 5 per cent as from July 1st last. We did not, however, raise the rates on existing mortgages, and so long as the borrower carries out his obligations by regularly paying premiums and interest, he may feel secure against a rise in his commitments. There has been some recession in house property values which makes it necessary for us to scrutinise even more carefully the applications submitted, and to discourage applications on the older types of houses which have not been modernised.

We are again recommending a transfer of £200,000 to the staff pension fund. A year ago I told you of the extension of the company's non-contributory pension scheme to provide for widows and orphans, and already 47 widows' and orphans' pensions have been granted.

As usual, I conclude with an expression of thanks to the staff. The excellence of the report is a reflection of their work, and I express sincere appreciation of their loyal and efficient services.

LEYLAND MOTORS LIMITED

NET CONSOLIDATED TURNOVER EXCEEDS £28,500,000

INCREASED VOLUME OF OVERSEAS SHIPMENTS

NEED FOR SOUND INCENTIVE SCHEME

MR C. BASIL NIXON ON "WHERE THE SHOE PINCHES"

The thirty-fourth annual general meeting of Leyland Motors Limited was held on March 31st at Leyland.

The following are extracts from the statement by the chairman, Mr C. Basil Nixon, circulated with the report and accounts:

The net consolidated turnover at £28,577,545, after elimination of purchase tax collections, is an impressive figure and accounts very largely for the increase in profits.

Although the export target was not reached, overseas shipments showed some increase in volume and exceeded in value 50 per cent of our total output of civilian vehicles.

The consolidated net profit is £928,612 (against £571,857) after providing a sum of £1,760,394 (against £1,014,885) for liability to tax on the year's trading.

Depreciation provided on our established basis is £468,076 (against £357,344). The board recommends that £500,000 should be placed to general revenue reserve, in addition to £265,000 by the subsidiaries.

Forward capital commitments are £476,942 (against £733,577). The value of stock, including work in progress, is £12,413,466 (against £10,674,905). Debtors, including payments in advance, show a very substantial increase and, after providing for doubtful debts, stand at £5,333,464 (against £3,505,501).

Higher taxation and the increase in stock and debtors have had a considerable effect on the liquid position of the company. The cash in hand and the net credit balances at the bank at the commencement of the year amounted to £699,753, and the year ended with a net overdraft of £568,023.

Continuance of the current method of computing wear and tear allowance for tax purposes on historic rather than replacement cost is of mounting concern to your board and to industry generally. The position is most unsatisfactory and the procedure inequitable. The problem has been in the hands of the Chancellor and the national negotiating bodies far too long. It is now urgently necessary to seek out and agree an immediate solution, not waiting for the report of the Royal Commission on Income Tax. EPL is increasingly recognised as a harmful tax.

TRADING REVIEW

The financial year started with a large book of unexecuted orders. In addition to the normal run of our business considerable progress was made in the development and marketing of industrial units, and numbers of railcar diesel sets have also been ordered by the Ulster Transport Authority and by British Railways.

Substantial progress has been made by the engineering research division and investigations of considerable potential value have been undertaken. New models have been produced which were very favourably received at the successful International Commercial Vehicle Show held at Earls Court in the autumn.

Mechanisation of your foundries is now highly developed and the output of all foundries continues to rise. Approximately half the castings produced are consumed within our own organisation and the remainder are sold to outside customers, mainly in the automobile industry.

Recently we issued a booklet entitled "Where the Shoe Pinches," which we sent to every member of Parliament and to other influential people, dealing with the many disabilities under which our industry labours; it is too lengthy to quote *in extenso*. A number of copies are, however, available to interested members.

The "pinching" may be summarised thus:

(*a*) The crippling burden of general taxation discouraging all development.

(*b*) The discriminatory tax burden aimed against road transport, a key tool of all productive activity.

(*c*) Frustrating regulations, internal and external, strangling all enterprise.

(*d*) Lack of any modern trunk road system in this country.

Everyone must be made to realise that the world is in the throes of a transport revolution.

At home the road coach fare from London to Glasgow, 400 miles, is 30s., and of that sum approximately 10 per cent represents fuel tax. The normal railway fare is 58s. 8d. third class and 88s. first class, nearly double and treble the coach fare.

Taxation on an eight-wheeled lorry over a normal life of ten years is £13,264 and is 20 per cent of the running cost of the vehicle.

The country needs the provision of modern roads and regulations, and equitable taxation for road vehicles.

In our sphere we look to the government of the day:

(*a*) To repeal the purchase tax on commercial vehicles.

(*b*) To provide for a uniform speed limit for all commercial vehicles.

(*c*) To reduce substantially the tax on diesel oil in order further to encourage the use of this highly efficient form of motive power.

(*d*) To remove at least some of the handicaps on industrial finance and international trade.

FUTURE OUTLOOK

International tension appears to have lessened, although the future remains clouded. World need for our products is fundamental, but only governments can engineer the mechanism by which they can be traded, financed and used freely for the well-being of mankind. It may, therefore, be hoped that recent Commonwealth and international conferences will give some practical leadership and produce beneficial results.

Since midsummer there has been a dramatic change from the "sellers'" market which prevailed after the end of the war to a "buyers'" market. This change has brought home to us more forcibly than ever before the necessity of increasing our efficiency by every means open to us.

The change has been brought about by the general recession in trade, continuance of restriction in many directions, lack of purchasing power, shortage of foreign exchange and a rapid build-up of European competition. With support from their governments, our foreign rivals have been able to offer extraordinary and, we think, unsound credit facilities over periods in some cases up to ten years. Such uneconomic practices have to be countered by the United Kingdom Government either by persuading the countries involved to desist or by giving British manufacturers tax rebates and comparable export credit guarantees.

A substantial amount of business is available on a five years' credit basis. I am glad to be able to tell you that we are very closely in touch with the Foreign Exchange Control Committee in the matter of all overseas business requiring these special terms. That Committee has been most co-operative and recently has shown willingness to extend its terms beyond the normal two years' limit.

I have referred to the need for some tax concession to enable industry to replace its plant and machinery on the basis of replacement value, and thereby to remain efficient, and produce economically without increasing its costs and again without reducing its quality. This country cannot hope to retain its markets abroad unless industry is freed from today's crippling level of taxation. Furthermore, the Government should encourage export volume as opposed to home sales by some sound incentive scheme. The motor industry has already put before the Chancellor of the Exchequer proposals for such a scheme, and it is hoped that he will make such provisions in his forthcoming Budget.

The good progress made in co-ordinating Leyland and Albion manufacturing capacities continues. Mr Henry Spurrier's and Mr Hugh Fulton's recent visits to South Africa were undertaken with the object of completing integration of our joint activities there, under the managing directorship of Mr Blackwood Murray. The new company is to be styled Leyland-Albion (Africa), Limited.

I visited Australia with a like object, and found the people over there determined to force up the local content of the transport equipment by raising a tariff barrier. This market is virtually closed, temporarily at least, due to trade recession and because of the severe restrictions recently enforced against long-distance road operations, designed to direct traffic to the railways, which in too many instances amounts to prohibition and the laying-up of vehicles.

DIVIDEND

The subsidiaries contributed their quota to the surplus, and help therefore to pay a dividend on the increased capital brought about by the Leyland-Albion merger.

Stockholders will realise that, under existing

conditions and with the uncertain prospects ahead, it is essential to conserve our resources and to absorb not only the recent direct wage advance, operative since November 10th last, but also, if practicable, any consequent increase in the cost of materials. Despite the possibility of increases in the cost of production, we have made substantial reductions in the selling prices of our chassis since the New Year.

We therefore recommend a dividend of 5s. on each ordinary £1 stock unit, payable, less tax, on April 1, 1953. This dividend is at the same rate as that paid last year, and represents only 3.5 per cent on the capital employed.

The directors are appreciative of the support and efforts made by the staff, both home and overseas, of the group during the year under review.

The report and accounts were adopted.

At a subsequent extra-ordinary general meeting the proposed new articles of association were adopted.

RYLANDS & SONS, LIMITED

SIR EDWARD RHODES'S STATEMENT

The annual general meeting of Rylands & Sons, Limited, was held on March 30th at 6, High Street, Manchester. Sir Edward Rhodes (chairman and managing director) presided.

The following is his statement which was circulated with the report and accounts:

In concluding my last year's statement on the result of the year 1951 I wrote, "Trade at home and abroad is in the doldrums. About the future . . . all one can truthfully say is that the prospect is dim." In the result it turned out to be a far worse year than I feared, owing to a combination of adverse conditions quite unforeseeable. It has to be borne in mind that your company are not only home trade textile merchants, but also cotton spinners, manufacturers, bleachers, dyers and finishers and considerable exporters. Therefore we have had to face a very severe recession in trade in each of these sections. In this and what follows I am not seeking to make excuses, but simply to give the facts concerning the extraordinary and disastrous year in the textile industry as they affected this company. I feel I cannot do better than to deal with each part of our business activities as I have so often done in the past.

HOME AND EXPORT TRADE

First, then, the most important one, our wholesale textile home trade. In the second half of 1951 demand had begun to slacken, and it became worse during 1952, especially in cotton and rayon textiles. Indeed stocks throughout the trade were disposed of at prices below the replacing cost of the day, and it would be no exaggeration to say that there was panic-selling, and the change from a sellers' to a buyers' market was startling. Our turnover in the home trade was 19¼ per cent less than the year before.

Now I come to our export trade, and it is in this section that we have had our severest set-back and our biggest losses. While it is true that we deal with various markets overseas, the largest trade has been with the Dominions. During the first half of 1951 we did a big business with the Dominion markets, which meant putting down large contracts with our suppliers for delivery extending many months ahead. The sudden collapse in the autumn of 1951 coincided with a curtailment of bank credits in Australia (our largest individual market) and New Zealand. This slowed down shipments and left us with heavy commitments. The position was aggravated still further by the sudden and drastic import restrictions imposed by Australia on March 8, 1952, which caused a virtual stoppage of shipments to that market which has continued until now. This naturally resulted in a heavy accumulation of goods primarily destined for Australia and New Zealand, and a heavy sacrifice was exacted in disposing of any of these goods elsewhere in shrinking and overstocked markets. Still another difficulty had to be met in Australia, where firms, having bought in the early part of 1951 at the peak of the market, had to clear their purchases in face of restricted credits from the banks and to customers unwilling to pay, in a rapidly-falling local market, the high prices at which they had placed their contracts. This brought appeals to their suppliers over here—to us among others—for reductions in prices and delayed payments.

MILLS AND WORKS

Taking our mills and works as a group, we just managed to escape loss, but the profit was much less than in 1951. It is to be remembered that 1952 was a disastrous year for the whole cotton industry. There was much idle machinery and short time, during which thousands of operatives left the trade, which is only now recovering from the set-back. It is hardly surprising that we did worse at Wigan last year than at the other works. Demand almost died out, and, like others, we had a period of short time. Moreover, some of our customers pressed us to hold back deliveries, and not only delayed deliveries but asked for reductions in contract prices. The market became chaotic and there was much wild selling at prices which had no relation to cost or even replacing value. There is still lack of demand at prices which show a profit and our machinery is far from fully occupied.

At our bleach and dye works at Heapey trade naturally fell off as we depend there on an active supply of loom-state cloth for finishing. Stopped machinery and short time do not help the bleaching and dyeing trade. I am glad to report that we are now working full time at Heapey and the prospects are much better.

Our Wadding works at Gorton had a quite satisfactory year and we worked full time the whole of the twelve months and are still busy.

Finally, about our allied company, Thomas Witter and Company, Limited, linoleum and felt-base floor-covering manufacturers, at Appley Bridge, Heapey and Chorley: Although that industry as a whole went through what was probably one of the worst years in its history—poor demand and reduced prices for its products—they got a big share of the available trade. Profits were smaller, but they ended with a most satisfactory result and paid us the usual good dividend. Witter's works at the three centres I have mentioned are excellently equipped, in first-class condition and now working at capacity. It is a very large concern, most ably managed and one of the foremost in the industry at home or abroad.

ACCOUNTS

In Rylands' balance sheet, fixed assets appear at £1,061,477; the amount due from the subsidiary, our overseas company, is £321,918, against £637,085 last year. This amount includes their stock, which has been conservatively dealt with in the matter of depreciation.

Investments at cost, less reserve, are £1,704,467, of which 83 per cent is in gilt-edged dated securities and in British corporations and public boards. On January 19th the market value was £1,584,388, and since that date it has increased by £23,802.

Under current assets, stocks are £787,239, against last year's figure of £1,320,132, tax reserve certificates £100,000, and balance at bankers and cash in hand £436,543.

On the liabilities side our capital still stands at £3 million and capital reserve at £572,161. The general reserve is £200,000. We propose to reduce the contingency reserve by £100,000, bringing it to £770,000. I would like to add that this contingency reserve was commenced in the year ended January 19, 1940, by the allocation of a sum of £35,000, and by the end of the year ended January 19, 1952, it had reached an amount of £870,000. In every one of the 13 years an allocation has been made to this reserve, averaging an annual sum of £67,000. The contingency reserve was established to meet, *inter alia*, any need for equalisation of dividends. I hope we shall never again need to touch it for this purpose, but, having regard to our very conservative methods during the last 20 years, the board feels this present consideration to our members is justified.

The profit and loss account balance carried forward will be £34,387, against the £99,627 brought in, if the recommendations of the board are approved. Revenue reserves and surplus will then amount to £1,004,387, against last year's figure of £1,169,627.

Grants made during the year under the Staff Consideration Fund to 78 retired members of the staff amounted to £5,934.

Consolidated balance sheet: From this it is to be noted that the value of our stocks at the end of the year was £1,056,864, against last year's total of £1,917,636. This includes the stock of our subsidiary, the overseas company.

Consolidated profit and loss account: We regret that against a trading profit last year of £294,151 we cannot show any this year, owing to the necessity of depreciating our large stocks. This depreciation amounted to £366,713 and swept away what, in ordinary circumstances, would have remained a reasonable profit.

The dividend from the allied company, Thomas Witter and Company, Limited, is again £57,143, and we brought in from taxation and deferred repairs provisions no longer required £42,790, disclosing a loss of £81,240 for the year.

Looking at the other side of the profit and loss account, directors' emoluments are £23,090; the amount of £32,000, profits tax, is incurred by the distribution of the dividends we propose to declare. Thus, instead of a net profit shown last year of £166,906, we show a loss of £81,240. I would like once more to emphasise that this result is caused by the heavy depreciation of our stocks necessitated by the conditions at home and abroad during a large period of our financial year.

The directors recommend:

(*a*) That the transfer of £100,000 from the contingency reserve be approved, reducing it to £770,000.

(*b*) That for the half-year ended January 19, 1953, a dividend of 6 per cent per annum, less income tax, on the preference stock shall be paid.

(*c*) That the dividend for the year ended January 19, 1953, on the ordinary stock shall be 5 per cent, less income tax.

(*d*) That £34,387 shall be carried forward to the next account, against £99,627 brought in.

PROSPECTS

Having already dealt with the state of affairs in 1952 and its consequences to our company, you will quite properly expect me to inform you of what is happening at the present time and what is the outlook for 1953. More than ever I am averse from prophesying. What I can attempt is to report what is going on from day to day and what seem to be the tendencies for the immediate future. The home trade is mending, but it must be added that our customers are still showing a marked selectiveness in their purchases and an equally marked disinclination to incur any addition of purchase tax. They dislike the D scheme and look for lower and cheaper qualities to keep out of its range. This is all to the bad, for both the home trade and export trade, and the sooner the Government realise this and amend, or abolish, the paralysing purchase tax the better. We shall spare no effort to get our share of the home trade in 1953 and are well equipped to do it. In the meantime all our stocks are written down to market price.

As for the export section, I cannot speak so hopefully as it is today or likely to be in the near future. As I have already explained, our main trade has been in the Dominions, especially Australia. It is quite true that it has improved from its worst, and I believe will go on improving, but the restrictions of imports into Australia are still to be continued, with this concession: that as from April 1st importers may bring in 30 per cent of the value of their imports in the year to June 30, 1950, which means that they may import 10 per cent more than they have lately been doing. New Zealand is also severely restricting imports, but there again we may, I believe, look for a gradual improvement. The prospects in South Africa are better. Most of their heavy stocks have been liquidated and there are now signs of a revival of interest. Full confidence, however, is still lacking out there. They fear a decline in the price of raw cotton and also the keen competition from the Far East and elsewhere.

We are well represented in all the principal markets abroad with which we deal, and we hope and expect to do better this year than last, although we hold considerable stocks, especially for Australia. All are depreciated to market value. Everything depends, to use an old tag, on our ability to offer the right goods at the right time at the right price—maybe a rather tall order under present conditions.

Once more I give hearty thanks to my colleagues on the board and to the heads of all departments and their staffs for their loyal support throughout a very difficult and trying year. I am confident that I can rely on their energetic efforts to lose no opportunity to bring back the company to its usual, and I hope increased, level of prosperity.

Sir Edward Rhodes and Mr Alexander Hamilton Dunbar, CA, were re-elected directors, and the auditors, Messrs Cooper Brothers & Company, chartered accountants, re-appointed.

THE HALIFAX BUILDING SOCIETY

ONE-HUNDREDTH ANNUAL MEETING

The one-hundredth annual meeting of members of this Society was held in Halifax on March 30th, the president, Mr Algernon Denham, JP, presiding.

The president, in the course of his speech, said:

Our experience during the year under review has been satisfactory, it being apparent that the changes in interest rates announced twelve months ago had the desired effect of maintaining an adequate inflow of investments and savings with which to support a record volume of mortgage applications and we have been able to retain so far the 4 per cent mortgage rate on existing accounts.

We are making a recommendation which will give to our matured subscription shareholders (paid up shares class 1) and our subscription shareholders, in addition to the usual bonus of ¼ per cent, a special centenary bonus of ¼ per cent.

Interest from borrowers, our principal source of income, is £732,866 higher than a year ago; we are also securing higher yields on our loans to local authorities and we are consequently looking forward to our liquid funds—always an outstanding feature—being more remunerative than has been the case in the past decade.

On the other hand, the cost of the interest and bonus to our investors is increased by £712,317, and there is also an increase of £30,860 in income tax and profits tax, and £162,140 in management expenses.

Perhaps the most pleasing feature of our centenary accounts is that our reserves have passed the £10 million mark; a reserve of such magnitude is without parallel in building society history, and in my opinion is of greater importance than our record growth in assets, which at £194,703,024 are £17,491,349 more than a year ago.

Our liquid funds amounting to £37,274,770 represent 19.14 per cent of assets, and I am happy to report that during the year we have been free from further depreciation in our investment portfolio.

In the encouragement of thrift and the provision of homes, we play an important part and it is a pleasing and an encouraging thought that 82,657 regular savers have total balances of £13¼ million invested with us and that over £17 million accumulated in a similar manner by 37,524 members still remains in paid up shares class 1.

It is no exaggeration to say that most of the country's economic ills would be speedily overcome if all who could would follow their example.

I pay special tribute to the National Savings Movement including the Trustee Savings Banks and to the insurance companies who are rendering a service to the State similar to our own.

I suggest that as a nation we are giving too much thought to present-day needs rather than future requirements and failing to realise the tremendous economies and advantages to be derived from concentrating our resources on the erection of old folks' and spinsters' homes to be let at rents within their means, thereby freeing for family occupation the larger houses they no longer require.

One welcomes the possibilities of a revision of the Rent Restriction Acts not only to assist in the more economic use of the accommodation available, but also to stem the deterioration of investment properties which is all too prevalent today.

THE BRITISH SOUTH AFRICA COMPANY

SIR DOUGAL O. MALCOLM ON THE STRONG POSITION

The annual meeting of The British South Africa Company was held on March 26th in London.

Sir Dougal O. Malcolm, KCMG (the president), in the course of his speech said: Our net profit at £2,674,776 is less by nearly £50,000 than last year; but this is much more than wholly due to the grievous burden of United Kingdom taxation. Our profit before taxation was indeed no less than £1,850,000 greater than that of last year, the great bulk of that increase being due to the growth of more than 1¼ million in our revenue from our Northern Rhodesian mineral rights.

From that profit before taxation of £8,309,930 there falls to be deducted £2,632,336 for Dominion income tax, nearly £600,000 more than last year. No complaint can fairly be made about that since it is from overseas that our great revenues are so very preponderantly drawn. But the burden of United Kingdom taxation grew by nearly £1,200,000, after allowing for Dominion relief, from £1,788,000 odd to £2,978,000 odd; and there is little indeed in the way of services rendered by our Government at home to our overseas undertaking to justify such a tribute as that.

Our investments at £11,247,354 show the large increase of over £2 million as compared with last year's figure. Our investments during the year have been partly in Rhodesian mining, but mainly in a wide range of South African mining investment companies. Here there has been a widespread all round fall in market values, but the outlook for the Western Rand and Orange Free State properties is, we consider, such as to warrant good hopes of recovery and satisfactory future profits.

Current assets at £7,707,857 exceed last year's figure by nearly £1,800,000 and cover an increase of nearly £1 million in Tax Reserve Certificates and of nearly £600,000 in the balance at bankers and cash in hand.

DIVIDEND MAINTAINED

We are enabled, as I hoped, to propose a renewal of last year's dividend, while maintaining our policy of such modest distribution as will still enable us to build up a great body of long-term investments in Rhodesian and other South African enterprises, especially mining enterprises, such as may to some extent replace over the 33 years which we still have left our Northern Rhodesian mineral rights which must come to an end in 1986.

For the year now current once more I feel able to express the hope that we shall be able to maintain our dividend in spite of the great burden of British taxation.

For the year under review the maintenance of our 6s. dividend, equal to 40 per cent per unit of stock or share of 15s., will absorb, as last year, £1,379,779 leaving us with £1,294,997 as compared with £1,343,430 last year to add to our figure of unappropriated profits which will then stand at £4,614,557, as compared with £3,319,560 last year.

I can claim that we are maintaining our very strong position; but this is a period of quite unprecedentedly high copper prices. And such are the burdens laid upon us that, as in the case of Alice in one of her adventures through the looking-glass, it is taking all the running we can do to stay in much the same place.

The report was adopted.

LEWIS'S INVESTMENT TRUST, LIMITED

POSITION OF STRENGTH AND PRESTIGE

MR S. H. LEAKE ON EXPANSION POLICY

The twenty-fourth annual general meeting of Lewis's Investment Trust, Limited, will be held on April 21st in Liverpool.

The following is an extract from the statement by Mr S. H. Leake, OBE, chairman and senior managing director, which has been circulated to stockholders with the report and accounts for the year ended February 1, 1953:

It is a pleasant duty this year to present our accounts for your approval, as they contain a number of records. When I addressed you at this time last year we were passing through a difficult trading period, and the severe drop which had occurred in many raw material prices, especially of textiles, made us think then in terms of a pending economic crisis. That phase, however, soon passed and after a short period of distress selling by manufacturers and wholesalers we ended our first half-year's trade on level terms. During the second half-year the removal of controls and the gradual restoration of free enterprise brought with them a more substantial flow in the supply of most merchandise. In consequence, and for the first time for many years, the public had almost a prewar selection of Christmas merchandise, particularly of china and toys, and the resulting rise in turnover throughout the organisation helped materially to produce the increased profits we now have to report.

RECORD GROSS REVENUE

Let me remind you again that the Trust is a holding company which does not itself trade but derives its income from rents and dividends received from subsidiary trading companies. This year our gross revenue from these sources amounts to £1,074,411, this being the first year in which this figure has exceeded £1 million. Apart from the increased revenue of some £6,000 from property the balance has been accounted for by an increase of some £67,000 in the gross dividends on the equity capital of the principal subsidiary, Lewis's Limited, of which the Trust holds 100 per cent. Our second largest subsidiary, Selfridge (Holdings) Limited, in which again the Trust holds 100 per cent of the equity capital, has also raised its dividend from 14 per cent to 20 per cent, representing an increase of some £63,000 gross.

After the usual deductions for interest, expenses, and taxation, the net profit for the year is up by £67,719 to the peak figure of £512,228. The sum of £127,280 which we propose to set aside to various reserves is in line with our recent practice. With regard to the disposal of the balance your directors have given much thought to their recommendations. They propose to allocate broadly one-third of the additional profit to an increase from 20 per cent to 22½ per cent in the final dividend on the ordinary shares, and the remaining two-thirds to increasing the carry-forward, which they have long recognised as being inadequate for a company of this magnitude. The results would have justified a larger increase in the dividend, but in the light of certain developments to which I refer later, the board considered it wiser to limit the final dividend to 22½ per cent.

The consolidated profit of the group after tax and various special items is this year £1,737,949, giving an increase of £439,121. Last year we ploughed back into the business out of group net profit £812,998, or 58 per cent. In the three previous years we had retained in the business 58 per cent, 56 per cent, and 62 per cent. This year the corresponding figure is £1,215,856, or 67 per cent.

Against the issued capital of the Trust of £3,890,176, as increased two years ago by some £630,000 for the purpose of the Selfridge acquisition, the capital and revenue reserves attributable to the group now total £8,224,095, an increase of just under £1 million since last year.

Our net current assets of £4,536,494 are about £650,000 greater than our issued capital. Moreover, they are in a highly liquid form, as no less than £3,664,183 is represented by cash, tax reserve certificates, and general investments. We also regard it as a healthy sign that the stock-in-trade in the group of £3,088,119 is £110,000 less than last year.

LEWIS'S LIMITED

The Trust's main source of strength lies in its principal subsidiary, Lewis's Limited, which is responsible for contributing more than half the Trust's annual revenue. It has been our policy for many years past to build up this subsidiary by steady expansion, consolidation, and conservative profit retentions every year, to a position of such strength that it could not only safely withstand any ordinary vicissitudes but finance the development of its own subsidiaries.

I am happy to report that Lewis's Limited, which operates department stores in Liverpool, Manchester, and Birmingham, and a clothing factory in Litherland, near Liverpool, has had another successful year, and for the first time its own trading profit, excluding miscellaneous revenue, has exceeded £2 million. Its consolidated profit of £2,604,924 is £312,270 up on last year, although this year there has been no investment profit realised, as against £53,159 last year.

Lewis's Limited controls S. Reece and Sons, which is a retail food and catering business, and Merseyside Dairies, which has an extensive milk distributing business and a cheese factory. We are beginning to benefit from a new bakery and dairy which are being erected at a cost exceeding £500,000. This has been rendered possible by financial support and careful nursing by the parent company, combined with the steady accumulation of reserves by the subsidiaries out of their annual profits.

SELFRIDGES

Our second largest subsidiary—Selfridge (Holdings), Limited—holds all the issued capital of the operating company, Selfridges Limited. In its first complete year as a unit of Lewis's organisation the trading company has in its turn attained several landmarks. For the first time its trading revenue has exceeded £1 million, and at £1,006,995 is £210,997 above last year. In addition, its general reserve has reached £1 million, which is equal to its issued capital; and it has also been able to increase the carry-forward in the profit and loss account to £250,781, as against £181,019 brought in from last year. Net current assets now total £1,325,840, which is one-third as much again as its issued capital, and these assets are in a highly liquid form.

Last year I announced that we had taken advantage of an opportunity to acquire the remaining freehold of the so-called "Northern Site." This lies behind the main store and is bounded by Wigmore Street, Orchard Street, Somerset Street, and Duke Street. A similar opportunity recently presented itself of acquiring the freehold of the eastern portion of the main store building, and we hope to complete this transaction early in May, utilising some of our present liquid resources for the purpose. When that has been achieved the freehold of all this highly valuable area running back from Oxford Street to Wigmore Street will (with the exception of a small leasehold interest) be in the ownership of the Selfridge group, adding to its financial strength and, indeed, to that of the Trust as a whole.

The board of Selfridge (Holdings), with the help of the best technical advice, has been giving much thought to the question of how much of the "Northern Site" is likely to be required in the future for the purposes of the company's business as a department store. The company is now in a position to deal with such portions of the site as it no longer requires for its own trading purposes. In pursuance of this policy it intends in the near future to offer for sale the valuable freehold of the whole of the Wigmore Street frontage. I hope when we meet again next year I may be in a position to report to you a satisfactory sale of this property.

FUTURE DEVELOPMENT: BRISTOL

Lewis's has achieved a position of national importance by its trading policy and by expanding into several of the most important cities in the country. It has not sought new money since February, 1939, and its expansion has largely come from resources which it has itself accumulated. With the restrictions now imposed on the raising of new capital, finance for expansion by any firm in the retail trade can only come out of its own resources. Your board intend to continue a policy of expansion, and I am happy to inform you that we have now made provisional arrangements to erect a new store in Bristol. We look forward with pleasure to the opportunity of giving service to the people of Bristol, and of achieving there that measure of success which we have enjoyed elsewhere. It is my hope that the necessary Government consents will be forthcoming to enable us to commence construction early next year. The economic position of the country can only be improved by such demonstrations of enterprise.

TRADING PROSPECTS

The trading prospects for the present year are not yet sufficiently clear to enable me to forecast with any degree of certainty whether we shall be able to improve upon our last year's results. Since the beginning of the year retail trade has fallen below last year's level, but the early months are notoriously subject to outside influences that are often transitory. The removal of controls and the restoration of free enterprise is having a wholly beneficial effect. It is bringing closer together again the manufacturer and the retailer in the interests of the customer.

PURCHASE TAX

I had not intended this year to refer to purchase tax but the report just published of the Hutton committee on tax-paid stocks calls for comment:

The conclusions of the committee are influenced by a legal quibble that purchase tax is a tax on the wholesaler and not on the consumer. It has never previously been questioned that since 1940 the retailer has acted as an unpaid tax collector of a tax which has, in the past, frequently been used as an instrument for restraining consumer demand. On one occasion when the rate of tax was reduced this organisation alone incurred stock losses of some £20,000—and, as the committee points out—there are half a million traders holding stocks of purchase tax goods.

Having recommended that compensation should not be paid when rates of tax are reduced the committee proceed to recommend that retailers should raise their prices when increased rates are imposed. Such a recommendation is conceived in tobacco but is completely divorced from the realities of the market place.

Purchase tax is already an ever-growing maze of ingenious anomalies. We appeal to the Government not to accept recommendations which involve so flagrant a disregard of elementary justice for retailers; and if so large a section of the trading community considers that it is suffering an injustice, the Government itself must accept responsibility for finding a remedy.

STAFF RELATIONS

In September last a Retail Wages Council decision brought a wage increase of some substance to most ranks of our staff. We have always maintained a Lewis's wage scale somewhat in excess of Wages Council minimum rates. On this occasion we not only maintained this plusage but ensured that all ranks shared in the wage increase. This has, of course, led to a substantial increase in our operating costs, but it is a source of much satisfaction to us that our staff, as well as our shareholders, have been able to participate in the prosperity of the business.

GENERAL INVESTORS AND TRUSTEES

The forty-sixth annual general meeting of General Investors and Trustees, Limited, was held on March 26th in London, Mr Sidney S. Lamert (the chairman) presiding.

The following are extracts from his circulated review:

A year ago I ventured to suggest that we should do well in 1952 to maintain revenue at its then high peak. In the result, it has further expanded by £10,000. We recommend that the distribution on our ordinary stock be increased to 16 per cent by adding 2 per cent to the bonus.

In normal circumstances, it would seem that out of a total distribution of 16 per cent, 6 per cent is too high a proportion to pay by way of bonus; but the circumstances are not normal. As world prices of raw materials fall, both turnover and the prices of finished goods will fall with them, and the tendency in buyers' markets will be for profits to diminish. Another and more important factor is the impact of the Chancellor's possible demands on trading companies. So for the present we recommend a policy of extreme caution, but so soon as we can see our way safely to increase the basic dividend of 10 per cent on the ordinary stock, we shall do so.

Our annual valuation, taken on January 31st, shows a drop of £114,000 in the appreciation of our portfolio as compared with the 1952 figure. It is only fair to point out that in these days official quotations of many stocks are no more than a nominal indication of actual dealing prices.

The report was adopted.

WILLIAM ASQUITH, LIMITED

INCREASED TURNOVER AND PROFITS

MR ROBERT W. ASQUITH'S REVIEW

The thirty-second annual general meeting of William Asquith, Limited, was held on Monday, March 30th, at the registered office of the company, Highroad Well Works, Halifax.

In moving the adoption of the report and balance sheet, Mr Robert W. Asquith, MIPE, the chairman, said:

The accounts have been in your possession for the statutory period, and I propose to take them as read. You will have noticed that in this year's balance sheet the full effect of the capital reorganisation scheme, on which I commented last year, is reflected. The increased profits are largely due to increased output which also resulted, I am happy to say, because of the incentive scheme in force in the works (based on output) in increased earnings for all employees in the factory.

A further wage advance also became operative in the period under review, and, for the first time, two weeks' holiday with pay for all operatives became effective.

INCREASED DIVIDEND

I am of the opinion that the shareholders also are entitled to benefit from the increased turnover and profits. This is one of the reasons, therefore, that your directors have recommended a final ordinary dividend of 11 per cent, making a total dividend on the ordinary shares of 15 per cent for the year, and I shall be asking you to confirm this action later in the meeting.

I would mention, in passing, that out of the increased gross profit of £299,804 our sleeping partner, HM Government, takes the lion's share of £196,150, and it should be noted that, for the year under review, excess profits levy is only applicable for nine months of the period. Stocks, which have been necessary to ensure the increased output, have increased by £86,585, and the fixed assets by £41,420.

CRIPPLING BURDEN OF TAXATION

So many company chairmen and heads of the country's big financial institutions have sounded a warning about the danger to British industry, if the current rate of taxation continues, that I feel any comments I might make may sound to be a repetition of what many eminent gentlemen have already said, but if repetition will impress upon our legislators the seriousness of the position, then it will not have been in vain.

The main industrial strength of this country is still, by and large, made up of small and medium-sized companies, and it is these (rather than the giant industrial organisations who also play such an important part in the industrial life of the country) which feel, perhaps, even more than their larger contemporaries, this crippling burden of taxation. As the chairman of a medium-sized company, I can only say that if such companies as this are to play their full part in the economic struggle which is still ahead of us, there must be a lightening of the taxation burden.

It seems to me that a necessary preliminary to lower taxation should be economy in Government expenditure. There has been much "lip-service" to this end, particularly during the General Election, but we are still awaiting really constructive action. Let us hope it will not be long delayed.

We have enjoyed a happy and prosperous year, and it must be evident that the team spirit throughout all departments and in all ranks has resulted in the satisfactory accounts which are in front of you.

RETIREMENT GRANT SCHEME

At various times in past years your directors have considered the possibility of instituting a pension scheme for the employees of the company, only to have to reject it, due to the very high cost which would devolve on the company in the initial stages of such a scheme. However, I am pleased to tell you that during the present year we have instituted a retirement grant scheme, which the company is financing itself.

Your company took part in the highly successful International Machine Tool Exhibition, which was staged at Olympia by the Machine Tool Trades Association, commencing in September of last year, and the reception accorded our new designs would seem to indicate that as long as business remains at a healthy level we can look forward to our share of orders, and the photographs which decorate this year's accounts show the Asquith exhibits at this important exhibition.

THE CURRENT YEAR

We can look forward to a successful year's trading for the current year, but there are many signs that the demand for machine tools is on the wane, and competition for the reduced demand has considerably increased, particularly in the export markets, where the resurgence of the German machine tool industry is such a phenomenon, and also because some of the newer machine tool industries built up in Continental Europe during the war are making themselves felt.

However, I feel that, given normal trading conditions, we can look forward with confidence to the future.

TRIBUTE TO CO-DIRECTORS AND STAFF

It only remains for me now to thank very sincerely everybody at William Asquith, Limited, and its subsidiary, Modern Foundries, Limited, who have made possible the presentation of what I am sure you would agree with me can be considered a satisfactory balance sheet, and I would also like to thank particularly my co-directors for the valuable services they have rendered to the company.

The report and accounts were adopted.

BEANS INDUSTRIES

The nineteenth annual general meeting of Beans Industries, Limited, was held on March 31st at Tipton.

Mr J. H. Bean, CBE (the Chairman), in the course of his speech said:

The net trading profit amounted to £367,219, a decrease of some £26,000. The charge for taxation absorbs £257,000 compared with £228,150, leaving a net available profit of £110,219 as compared with £165,181 for 1951. The charge for taxation has risen by some £29,000 as a result of the incidence of Excess Profits Levy, and absorbs some 70 per cent of profits as compared with 58 per cent in 1951.

I am strongly convinced that the time has arrived when steps must be taken to afford some substantial measure of relief if this country is to maintain its position in world markets and face intense foreign competition.

Your Board recommends a final ordinary

dividend of 27½ per cent making 37½ per cent, less income tax, for the year.

The company's liquid resources have been well maintained and the balance sheet indicates a strong position.

I am pleased to be able to report another successful year, and although as a result of the general trade recession, which became apparent towards the end of the year, customers' requirements were reduced or delivery dates extended, the overall turnover actually showed a small increase compared with the previous year.

Whilst it is now more than ever difficult to prophesy, I have no doubt that with our equipment and resources we shall obtain a good share of whatever business is going; I think we shall have a reasonably good year.

The report was adopted.

THE BRADFORD DYERS' ASSOCIATION LIMITED

IMPROVEMENT FOLLOWS DEPRESSION

MR JAMES EWING'S SPEECH

The fifty-fifth annual general meeting of The Bradford Dyers' Association Limited was held at the Midland Hotel, Bradford, on April 1st. Mr James Ewing (the chairman), who presided, in the course of his speech said:

At this time last year the textile industries of the world were in the throes of a general recession. In the horizontal arrangement of these industries in this country, the finishing sections are the last to feel the effects of a slump; so during the first quarter of the year our branches were still moderately well employed. But thereafter, until the final quarter of the year when trade improved, our branches were adversely affected by the general depression, particularly in the print section of our business. That we have been able to meet these fluctuating conditions in the manner reflected in the accounts is in large measure due to the reorganisation and concentration of our producing units which we have been steadily undertaking during the past few years.

The current year has opened much more favourably and our home branches, with one or two minor exceptions, are well employed. But I must add a note of warning. Costs are rising seriously and, owing to keen competition, particularly in the export markets, these increases cannot be reimbursed entirely by adjustments of our selling prices; without reasonable capacity running, today's prices would not be adequate.

ACCOUNTS

We have found it necessary to charge £408,000 to provide for the wastage of buildings, plant and machinery at the Association's home branches before striking our profit balance. That this is no excessive provision is evidenced by the fact that we expect to spend on an average over £400,000 per annum for the next five years on renewals and replacements. But, of the charge of £408,000, we shall only be allowed £196,000 as a deduction in our tax computations. The remaining £212,000 has to be found from taxed profits, so that we have to make a gross surplus of £620,000 in order to provide for plant wastage amounting to £408,000, of which the Revenue admit only £196,000. This is a situation which demands action by the Chancellor before the damage already done becomes irreparable.

The Association's share of the total group profit, after taxation, is £492,222—a reduction on the previous year of almost 38 per cent—which is not an unsatisfactory result having regard to the reduction in the volume of work available during a large part of the year. The trading profits of our overseas subsidiaries were well maintained, and made a very important contribution to the year's results.

The balance available for distribution is £396,002, from which £50,000 has been transferred to general reserve, which now amounts to £1,250,000. After provision for preference dividend and the interim ordinary dividend of 3 per cent, £83,011 is applied in payment of a final ordinary dividend of 7 per cent, less tax, and the balance of £160,501 is carried forward.

Our investments in associated companies have increased by £359,527 to £426,426. This represents interests we have acquired in Davies, Coop and Company Limited, of Melbourne, and James Nelson (Australia) Pty. Limited.

SOUND FINANCIAL POSITION

During the past six years, your company has invested, in subsidiaries and associated companies abroad, no less than £1,386,201 without recourse to borrowing or to further issues to the public. During the same period we sold interests in associated companies in India and Ethiopia for a sum of £210,286, on which we realised a capital profit. All the investments are not yet dividend earning, but the average return has been quite satisfactory, as is shown by the consolidated accounts of the company. These overseas interests are making a valuable contribution to the net profits. It may be useful to record that, in these six years, the company has expended in the UK an amount of £1,919,847 on capital account on additions and replacements of buildings, machinery and plant, and in reorganisation of the home branches, while it has realised the sum of £499,878 from sales of redundant buildings and obsolescent machinery.

These figures demonstrate the sound financial position of your company, which, coupled with its increasing technological resources, place it in a strong position to face the competitive times which assuredly lie ahead. As I have stated before, it is the determined policy of your board to build up the resources of the company so that it may regain the healthy position it enjoyed prior to the debacle of the 1930s, with the object of maintaining steady dividends notwithstanding the vagaries to which the textile trade is prone. This is an aim, I know, which will commend itself to the majority of our stockholders.

EXPORT TRADE

Lancashire had to face the loss of her enormous markets in China and India and in other parts of the world; but today she is still in a position to look ahead to a future not without promise and opportunity. No longer is her future bound up entirely with cotton: an extensive rayon and synthetic-fibre cloth industry has become an integral part of the Lancashire of today. Within your own company's activities, the volume of cotton cloth for export markets, which in former times kept many of our works engaged, has been largely replaced by a substantial and increasing flow of rayon and synthetic-fibre cloths woven on the looms of Lancashire and dyed and finished in our specially equipped works. It surely is not too optimistic to anticipate that, as Asia's and Europe's living standards advance (as they must do), markets will be opened for our higher grade textiles. Having regard to all circumstances, one cannot help thinking that criticism of Lancashire is overdone and that recognition should be made of the efforts of her industrial leaders (both employers & labour) who have found common cause in the struggle to uphold Lancashire as one of the world's important textile producers.

At the International Cotton Conference held at Buxton last year, the United Kingdom representatives put forward an export target of 1,350 million square yards of cotton cloth, which compares with actual export figures of 865 million square yards in 1951 and 710 million square yards in 1952. This figure was regarded by many, even in Lancashire, as unrealistic; but in our view it is not being immoderate to fix a target which is only equivalent to the yardage exported in the slump year of 1938. Three-quarters of Lancashire's exports find their way to Commonwealth and Colonial Empire markets, and there should be every prospect of retaining this volume while adding to it exports of quality cloths to neutral markets.

SYNTHETIC FIBRES

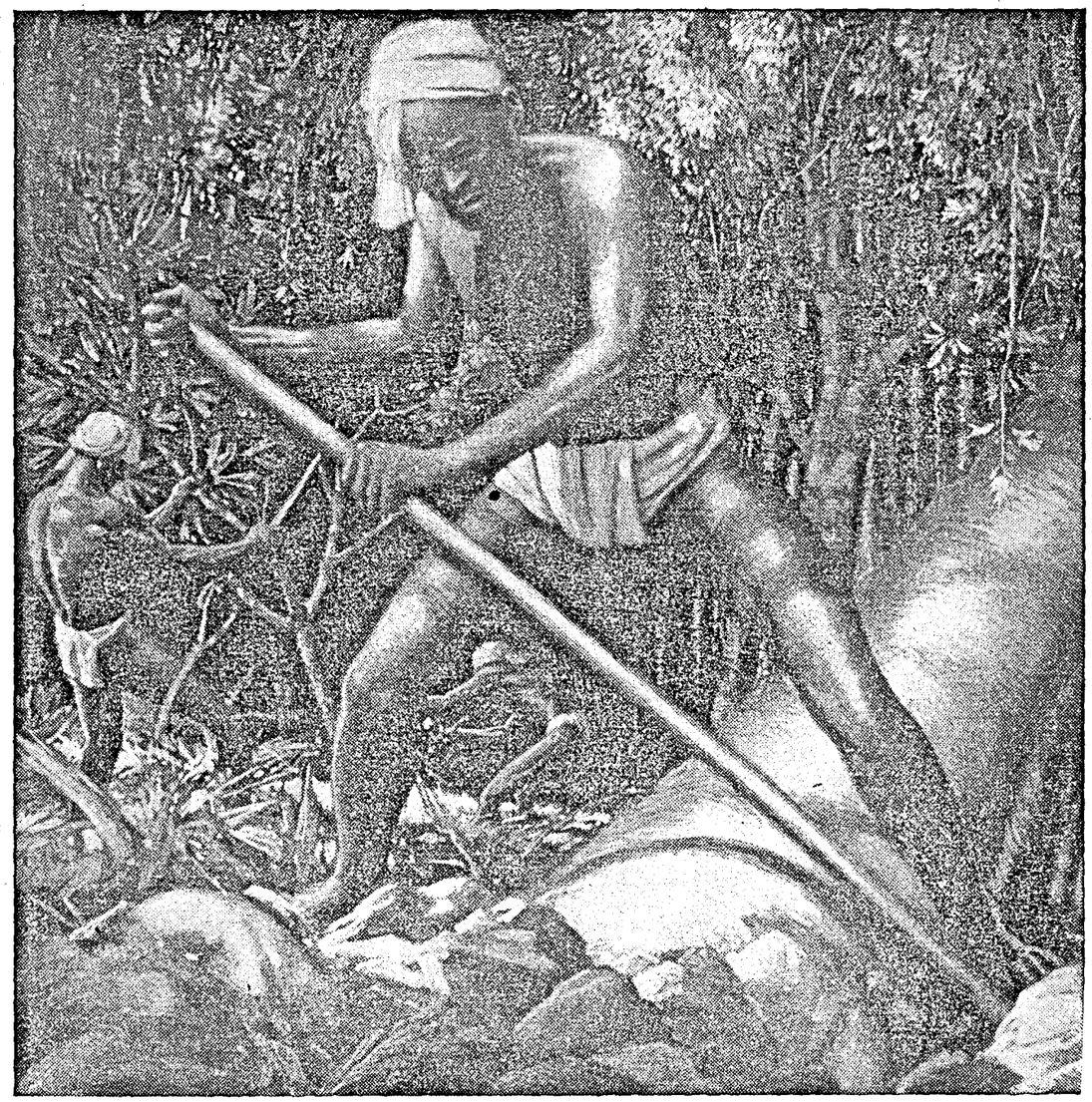
Alarm has been expressed in some quarters about the impact synthetic fibres will have upon our technology and in particular upon our wool industry. We have no such apprehension. On the contrary, we welcome the contribution they will make to the virility of our industry. If we have any misgivings at all they are that the pace and extent of the development of these fibres in this country are not fast and wide enough in comparison with the rapid expansion in USA.

In Volume IV of the report, "Resources for Freedom," prepared by direction of President Truman, the probable consumption of synthetic fibres (exclusive of rayon) in 1975 is boldly predicted. It is estimated as almost equivalent to the present world consumption of wool, and to this there may also be added outstanding developments in the use of rayons. Let us be equally far-seeing, ready to adopt and adapt, to examine and to exploit. In such manner, at any rate, must your company, in common with many of the forward looking firms in the manufacturing and merchanting sections of our industry, approach the new textiles. Already we have nine branches engaged exclusively on rayon fabrics and synthetic fibre fabrics, and during the past year we re-equipped another branch —W. Grandage and Company Limited—for the processing of spun rayon fabrics in our effort to keep pace with the growing output and use of this class of goods.

THE OUTLOOK

As to the future, I hesitate to say too much. Our United Kingdom branches are at present well employed and I see no reason why this volume of business, which is considerably better than last year's, should not be maintained during the first six months of this year and, given a lessening of the cold war, for a much longer period. Your company is well placed to face the future, having developed production units in important markets abroad. The need for export trade in textiles need not be stressed by me, but the home market is the background of that trade and I hope the Chancellor, when framing his Budget, will release the industry from the crippling and damaging effects of purchase tax and "D" schemes.

The report and accounts were adopted.



Power For Prosperity

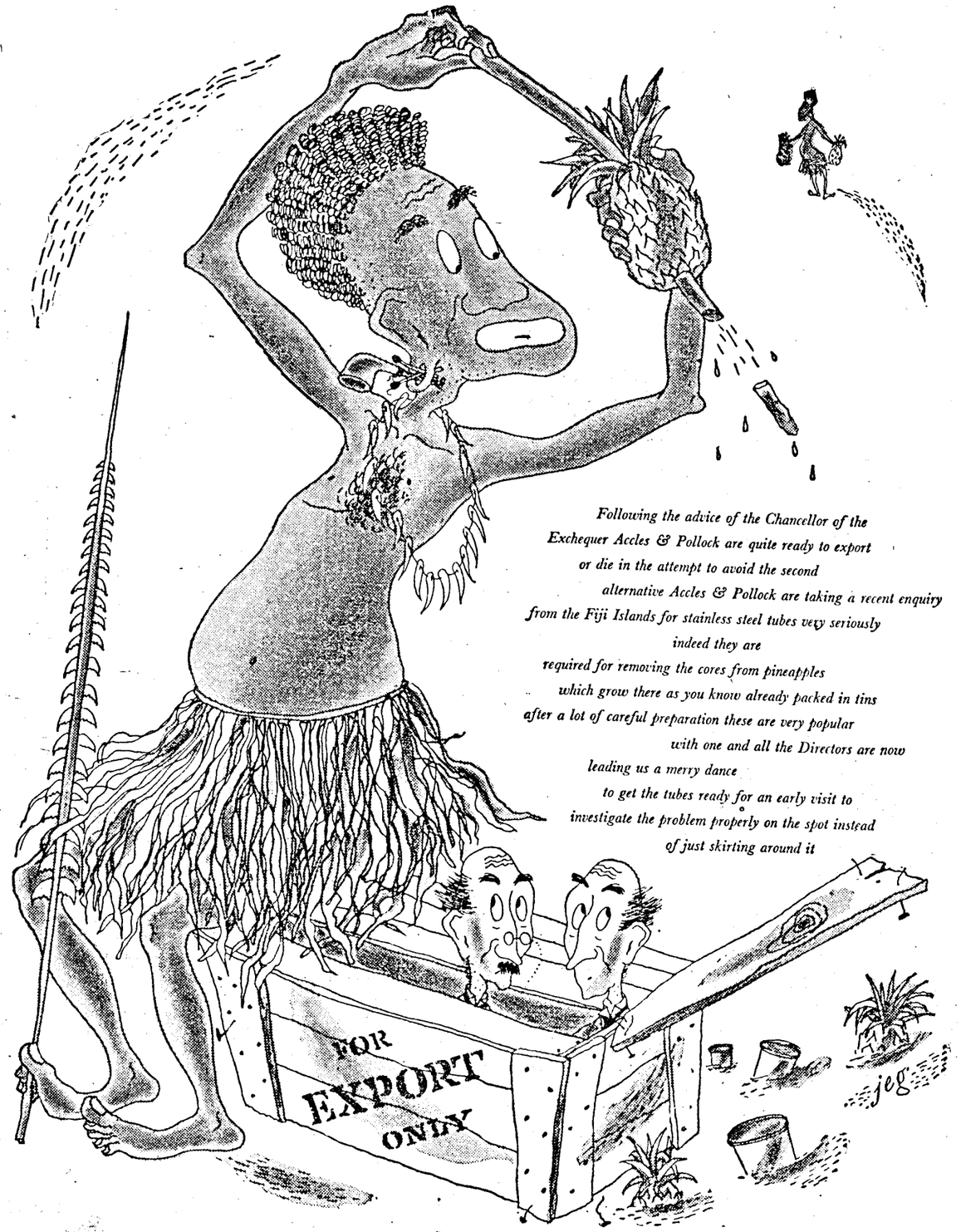
Power will transform this jungle scrub to fruitful acres. Power will build thriving cities where mud huts now crumble in the sun. Power is coming to these awakening lands in the giant Euclid earthmovers, the Euclid Tractors and Scrapers, the Carlisle Graders, the Marion Shovels and Draglines —power to clear, reclaim and irrigate the land, to dig the ditches, and the canals, construct the motorways, railways and airfields . . . power to prosper lives which now are so precarious.

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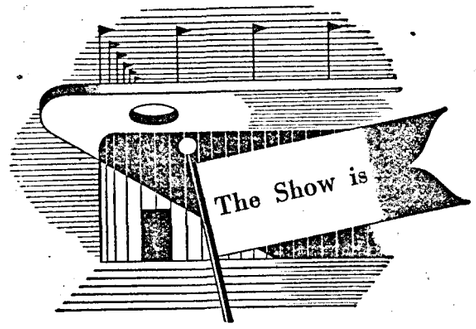
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Subsidiary Companies Branches Works  *and Agencies throughout the World*



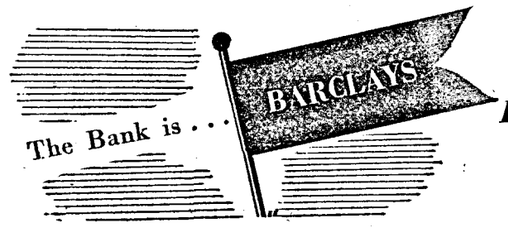
Following the advice of the Chancellor of the Exchequer Accles & Pollock are quite ready to export or die in the attempt to avoid the second alternative Accles & Pollock are taking a recent enquiry from the Fiji Islands for stainless steel tubes very seriously indeed they are required for removing the cores from pineapples which grow there as you know already packed in tins after a lot of careful preparation these are very popular with one and all the Directors are now leading us a merry dance to get the tubes ready for an early visit to investigate the problem properly on the spot instead of just skirting around it

Accles & Pollock Ltd • Oldbury • Birmingham • A TI *Company • Makers and manipulators of seamless tubes, in stainless and other steels*



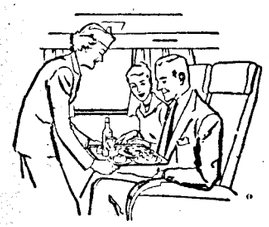
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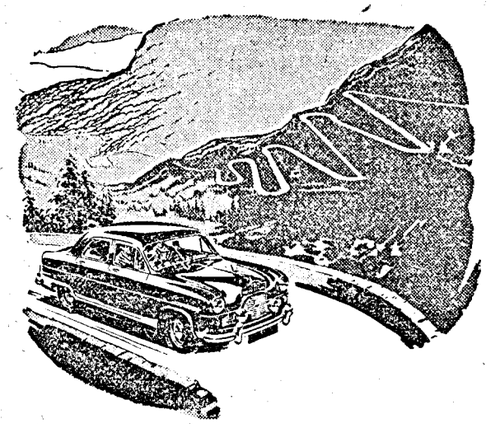
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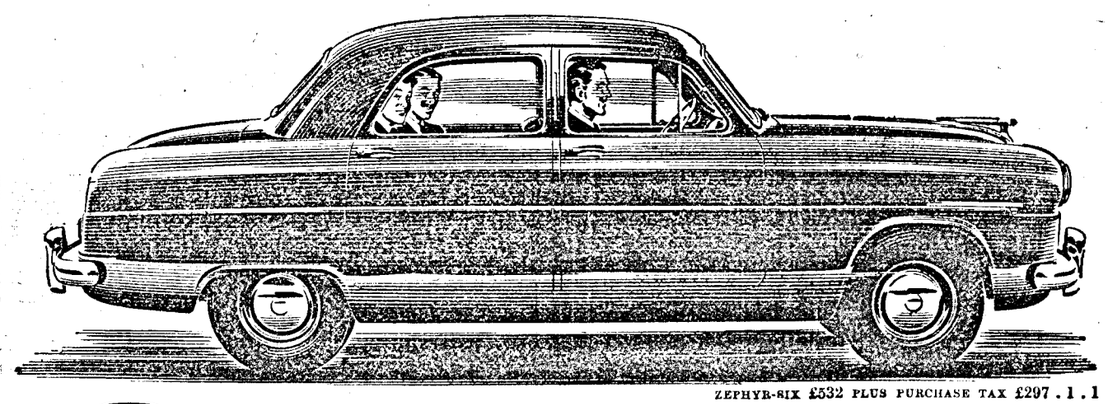


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What Mildness Means

ONE forecast about Mr Butler's second Budget can be confidently made; he will rise to open it next Tuesday with a more cheerful song in his heart than any Chancellor for seven years—and the grounds of his optimism will be more substantial than Dr Dalton's ever were. In his survey of the past financial year it will, indeed, be Mr Butler's task to report that the main estimates on which he based his first Budget proved to be wide of the mark. But paper errors are nothing beside the visible justification that Mr Butler can claim in the surplus on overseas payments and a rising dollar reserve; internally, the economy was subjected, thanks largely to the dearer money policy, to a useful measure of disinflation—certainly to quite as much as the Government intended.

The Chancellor may, therefore, be expected to take last year's Exchequer outturn as a comfortable starting point for this year's budgeting. Revenue only slightly exceeded ordinary expenditure, and if capital expenditure "below the line" is brought into the reckoning there was a deficit of £436 million. This was a sharp departure from the disinflationary role hitherto assigned to Government finance in the postwar economy. The Government stopped providing a large part of the nation's savings in the form of a Budget surplus. But in the year when this disinflationary policy stopped, disinflation in fact began. The effect of a Budget surplus last year would have been to create some unemployment. There is no need, the argument proceeds, for Mr Butler to try to fortify the surplus this year. He should be satisfied to budget deliberately for what he unintentionally got last year—for a rough balance of ordinary revenue and expenditure. While expenditure is being held approximately constant, there are several reasons for expecting revenue to increase; and the Chancellor, therefore, has some scope for tax reliefs.

"Total demand," the Economic Survey declared, "is no longer excessive." If its vague assessment of the prospects for 1953 indicates anything at all of the Government's mind, Mr Butler will not aim at a bigger surplus and he may aim at even less. The time for thorough comment on this basis for the year's budgeting will be after the Chancellor has deployed the arguments for it—if he does. In any event, estimates of the inflationary "gap," and consequently of the right size of Budget surplus, have in the past been subject to so wide a margin of error that no arithmetical argument will shake the politicians from the belief that this Budget need not be tough. The commentator can only enter a plea for caution. Certainly the prospects for the later part of this year at present seem less definitely inflationary than at any time since the war; but there is also a fair chance that, once the usual spring lull is past, the forces of demand will run fairly strong in Britain during the summer. If they were much encouraged, they could harden into another upward twist of the cost-price spiral that would leave this country ill-prepared to face a possible recession. It is important to remember, also, that almost every Budget has turned

out to be less disinflationary than its author intended. It is relatively easy to correct, as the year goes on, an error on the side of severity. It is politically very difficult to tighten a Budget that proves too mild.

The passing—if such it is—of inflation does not, in any event, leave the British economy in a quiet haven in which the Chancellor has merely to keep demand on an even keel and guard against unemployment. There has to be a turn-round to more exporting and more capital investment, and it still remains to be shown that such a transfer of resources can be achieved without a really sharp disinflationary push. Mr Butler, however, wishes to try ; his objective is the mild degree of disinflation that makes a gradual transfer possible, not the sharp degree that would enforce a rapid transfer. The choice is open to criticism, but in the debate on the Budget it is more important to insist that even Mr Butler's cautious objective gives him very little scope for tax reliefs. He does not need to fill up people's pockets in order to prevent demand from sagging and to save workers from unemployment ; in fact, demand for most things is at present reviving, not sagging. If there is slack here and there in the economy, the Chancellor's task is to see that the slack is taken up by more production for export and more investment for productive purposes; his task is not, as yet, to stimulate the demands of consumers.

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One rough rule of judgment can be applied when the Chancellor sits down next Tuesday: his tax changes ought not, on balance, to make any difference to the consumption of the British people. This is not a harsh doctrine. Consumption can be expected to rise automatically, as production and earnings increase. Mr Butler is not required to take away this automatic benefit ; still less is he required to repeat the experience of the past two years, when consumption was slightly reduced in real terms. This year Mr Butler can allow the country to have more jam—if the country earns it. But he should not give the jam away himself.

This does not mean, fortunately, that the Chancellor must leave income tax entirely alone. A remission of income tax may have three effects: it can increase spending ; it can encourage private saving ; and it provides some stimulus to harder work and greater production. The second and third of these are obviously good effects ; Mr Butler should achieve them provided that he offsets the first effect—the extra spending that follows from a relief in direct taxation. Even more, there must be an offset to any remission of indirect taxation—of purchase tax, or of Customs duties and Excise taxes—that the Chancellor decides to be necessary or politic. All the remissions that are made in these fields—all the extra personal spending that the Budget creates—should be balanced by a reduction in subsidies. The process that Mr Butler began last year should go on ; it ought, indeed, to be extended from the food subsidies to the housing subsidies. It is only to the extent that subsidies are cut that the Chancellor can, consistently with the country's major economic needs, give tax reliefs that will make the public feel able to spend more.

The Chancellor will not be greatly heroic in this matter. He will be showing a creditable measure of political courage if he again reduces the cost of subsidies by some £100 million or £150 million. That would not give him scope for dramatic changes in either indirect or direct taxation. Sixpence off the income tax, which would cost nearly £100 million, has an attractive simplicity and it is almost certainly within the range of what can be afforded. But there may be good arguments for leaving the standard rate alone, and making instead two changes that would most directly moderate the incidence of tax when a man increases his earnings: the reduced rates of tax at the lower end of the scale should rise more gently, and the earned income allowance should be increased—and extended some way into the surtax range. These changes would give the maximum of extra incentive in proportion to their cost in terms of extra spending power.

This is as far as Mr Butler's ambition should run, in his treatment of personal taxation. He can give away what he saves by cutting subsidies ; but he cannot carry that process very far without balancing it, in part, by increasing pensions and other social security benefits once again. The argument must return, therefore, to the margin for tax relief that the Chancellor may expect to have even without cutting subsidies. There are strong political reasons for throwing in this margin to help the consumer also. But they are reasons that Mr Butler should resist absolutely. The prime needs of the British economy are more exports, more investment and more savings. The encouragement that the Chancellor can give in these fields will in any event be perilously small. There is not this year any great natural buoyancy of the revenue to dispose of ; there is, at most, a modest margin for some net reduction in taxation. The Chancellor will be failing in his duty if any penny of that is squandered on the consumer. It is needed to encourage savings and investment, enterprise and efficiency, in British industry.

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The relief that would immediately assist these ends is the repeal of the excess profits levy. The ill effects of this unrewarding and monstrously discriminating tax on improvement have become progressively clearer ; they are not disputed by any section of political opinion. The only obstacle to removing the levy may be the Government's pride ; the levy was introduced, in fulfilment of an election promise, only a year ago. But Mr Butler could well argue that, in the changed economic circumstances, the levy has outlived its usefulness sooner than was expected ; that the net yield it produces is already derisory ; and that the defence programme, which was EPL's original justification, has been changed out of recognition. He would have both right and reason on his side if he gave notice that EPL should disappear from the end of 1953. For the rest, the two most important changes that the Chancellor should make, in order to stimulate company saving and expansion, are those that were recommended in these columns six weeks ago: to restore the initial allowance on capital equipment and to remove the lower rate of profits tax that applies to undistributed profits.

These would not be dramatic concessions. They would leave fundamentally untouched the high taxation that represses enterprise and growth in the British economy. At this date Mr Butler cannot be expected to produce a truly reforming Budget: he has little scope for reducing the burdens, and it would be foolish to redistribute them in a spirit of thorough experiment before the Royal Commission reports on the whole issue of direct taxation. But the lines on which a measure of interim benefit can be achieved are plain.

Precisely because he has this welcome opportunity, the responsibility that falls on Mr Butler is peculiarly heavy. To open next Tuesday a popular Budget, a Budget that would please voters of all classes, would be easier for him than for most Chancellors in the postwar years. The country is not keyed for fresh sacrifices. To give sizeable reliefs to consumption would be less obviously short-sighted than for many years ; it would be less demonstrably false to a Chancellor's responsibility for the future economic strength of the country. That is the measure of the Chancellor's temptation. He is not called on to be tough when the need for toughness is plain for all to see ; he is called on to refrain from highly popular concessions when the national mood is one of relaxation. The second perhaps requires more courage and strength of purpose than the first ever did. The purpose is no less than this: to shift the structure of taxation back to a basis compatible with the continued industrial greatness of this country. Mr Butler can make this year only a small beginning, but the purpose ought not on that account to be any less compelling for him.

April Mood in the Kremlin

FOUR weeks have sufficed for Malenkov and his colleagues to play havoc with the legacy of Stalin. The revolution that was so greedy to devour its children is now, it seems, turning on its parent. Already the cult of the genius-like father of humanity is withering away ; he was not, after all, omniscient and infallible. Lesser men, who had long obeyed him in every particular, are now showing by changes in policy at home and abroad how deeply they disagreed with him in his old age. Police officials who would torture and starve their prisoners as a matter of routine must now pause to ask if it is safe to ignore the rights of Soviet citizens. Party leaders who cried vigilance and treachery now utter soothing assurances against " panic and disarray." Where all was dark and cruel and wintry there is a touch of spring. The police regime has rebuked its police ; the dictators have discredited, at risk to themselves, the tools of dictatorship.

These are, indeed, exciting days in Russia's history and the free world will rejoice if they portend for its people a freer and kindlier regime and for its neighbours an end to the frigid malevolence of the last seven years. But all that is still far from being fact ; the world must first discover why these changes have taken place and how firmly they are based. It is impossible to assume that those who agreed with the policies of Stalin's declining years and therefore disagreed with Malenkov have just melted away in the sunshine of the new regime, to believe that there are no rivalries within the triumvirate, no fears that men and jobs, as well as policies and tactics, are now in question. It is one thing to say that a revolutionary change is going on ; it is quite another to say that it is permanent. The Kremlin's gestures to the outside world must be interpreted as signs of a crisis within Russia.

There has been in the last fortnight a momentous admission that some restraints that Stalin believed essential to the authority of state and party were superfluous or dangerous, an acknowledgment that some of the ideals of the Revolution had been betrayed by the cynical and conservative Generalissimo. Take, for example, the amnesty. It can be said that this is Malenkov's way of bidding for popularity and prestige ; but to the mass of Russians it must mean the return to private life of hundreds of thousands of offenders with surprise in their eyes and questions on their lips. Why was it necessary for Stalin to die before they could be released ? Take again the promise of revised laws and a gentler hand with offending officials: why are these possible now, when a month ago the call was for tighter security against the agents of western aggression ? These questions are political dynamite.

Most striking of all is the affair of the doctors. Someone, it seems, had blundered, with Stalin's approval and under Beria's eye. They were incriminated with evidence secured by " wrong methods." The agents of the secret police have been sharply reminded that they, too, are subject to the law of the land. Here, indeed, is a revolutionary doctrine for a totalitarian state. Significant, too, is the conclusion that these doctors did not, after all, dispose of Zhdanov—Malenkov's rival until 1948—and endanger the lives of high officers of the army. The charge against them, and the vigilance campaign that went with it, were fraudulent ; it was all a stunt staged with Stalin's approval for internal political purposes.

What is the essential clue to these astonishing events? Perhaps the best guess is that Stalin's policy had become after the war increasingly rigid and out of touch with the mood of the Russian people. The technique of the secretary of the Party—to balance group against group and to give difficult colleagues enough rope to hang themselves—had degenerated into an obstinate, secretive and complicated habit of mind. Time and again Stalin showed his fondness for keeping two contradictory policies in play, each with its supporters in the hierarchy and then insisting on leaving things as they were. It seems likely, indeed, that both his foreign and domestic policies had become subject to the need to hold the balance between two views that were critical of his handling of affairs.

On the one side can be identified the "pessimists"—the opponents of appeasement—those who believed war within a year or two to be inevitable, who distrusted the morale of the Russian people, who demanded the utmost vigilance and discipline at home, and who wished to use Communist parties abroad for direct action against rearmament and the American alliance. On the other side were the "optimists," the party of appeasement, who believed war could be averted only if Stalin changed his methods, that time and peace were needed to build up the Communist bloc to industrial parity with the West, and that meanwhile it was dangerous and unnecessary to keep the Russian population on a permanent cold war footing. It is reasonable to suppose that the pessimists included the generals, those elements in the security services who feared the effects of relaxed vigilance, and those in the Party faithful to Zhdanov, who founded the Cominform outside Russia to gain greater independence for his aggressive policy in Europe. The optimists seem to have been led by Malenkov, Beria and, perhaps, Molotov; their strength lay in their control of the Party and Stalin's dislike of the aggressive ideas of their rivals, which he would check from time to time by personal intervention.

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What then was Stalin's personal position? He seems to have tried to get the best of both views. He refused all concessions to the West, for example, over Germany and Austria; but he harped on the possibility of "peaceful co-existence." He was determined to avoid world war, but unwilling to negotiate a world settlement. He believed he could in time split the Americans from their allies with political gestures and offers of trade. He would not liberalise the regime at home because his distrust of human nature was too deep. The cold war suited him, so long as its techniques were not successfully used against him.

That was probably the situation when the Party Congress met last October, with Malenkov clearly marked out as the coming man and his group in the ascendant. Perhaps after this confirmation of their position the "optimists" grew too big for their boots; it was to chasten them that favour was shown to the army, and new men brought into the upper ranks of the Party. Perhaps, too, it was because the "pessimists" were resentful and difficult that the doctors affair was launched. In the form that it was presented to the public Stalin gave a stern warning to the appeasers, a clear gesture of respect to the army, and a free hand to the cynics in the security services. Certainly by January there was crisis in the country. Then came Stalin's death: providential—"remarkably well-timed" some future Gibbon may comment—for Malenkov and those who hoped for a *détente* with the United States.

If this conjecture is even approximately correct, two important conclusions follow. One is that Soviet foreign policy is determined more than had been thought by the internal politics of the regime; the other is that Malenkov's tenure of power, even as member of a triumvirate, may depend on the success of a conciliatory foreign policy. A tremendous responsibility therefore falls on the statesmen of the West, as they consider the possibility that Malenkov may wish to negotiate on matters in which neither Moscow nor Washington would find it easy to make concessions of substance. To put the problem simply and crudely: toughness on the part of the West might prove Malenkov wrong and his rivals right; a conciliatory attitude might establish Malenkov's position as nothing else could. The time may be approaching when the future master of Russia will be determined by decisions in Washington, London, Paris and Bonn.

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It is an alarming prospect, speculative though the thought must be. For, unless diplomatic channels in Moscow are unfrozen, unless the West's knowledge of Kremlin politics can be improved, it will be hard to determine whether Malenkov is or is not strong enough to make the concessions that Stalin refused. There is, however, one scrap of evidence that can be clung to; it is that the victory of President Eisenhower in the American election created a new mood in the minds of some men in the Kremlin. Even Stalin marked Christmas by asking for an end to the cold war. For weeks the Soviet press and radio refrained from personal attacks on the President: Eisenhower was the former comrade-in-arms; Republicans had been isolationist and might become so again—especially if Stalin, the personification of cold war, were removed; the first flurry of Dulles dynamism passed harmlessly; the result of the President's visit to Korea was a decision gradually to disengage American forces. That, it seems, is how the "optimists" saw things. A change of ruler in Moscow following a change of President in Washington would create the opportunity of a lifetime.

What Malenkov's moves on foreign policy may, in fact, prove to be it is early to say. It is probable that he will reopen discussions about German unity, renew former trade offers, make life easier in Berlin, support peace negotiations in Korea, and instruct Mr Vyshinsky to go on cooing gently at the United Nations. He has shown in his public statements an intense interest in helping China to become a great industrialised power and in establishing the Soviet Union as the centre of a Communist economic bloc covering one-third of the world. Malenkov, in fact, sounds like a business-man of big ideas, who is determined that his country and its allies shall outstrip the West in power and wealth, and leave time to bring the ultimate victory. If that is his aim, then it is to be expected that he will try to reach in the West some *modus vivendi* that would check its rearmament, reduce the American interest in Europe, soothe the tension aroused by the cold war and tempt everyone to forget about the liberation of Eastern and the integration of Western Europe.

It cannot be repeated too often that we do not yet know the essential facts; we may not even know enough when Malenkov or Molotov has been seen playing a hand, say, over Germany or Austria. If, however, there is to be speculation, let it be based on the plentiful facts of the past, as well as the few facts of the present. There is no evidence at all that the basic Soviet aim—the ultimate world predominance of Communism—has changed; there is only evidence of a change of tactics and timing. Malenkov at 52 can look further ahead than could Stalin at 73; he may be anxious, above all, to buy time. The wise course for the West is not to heave sighs of relief but to decide what terms it would bring to the conference table and what strength it needs to make its case respected.

A Constitution for the Caribbean

THE protracted discussions on the federation of the British West Indies will be carried a stage further at the conference of representatives of the colonies concerned which meets in London next week. The inherent difficulties of the scheme—as well as the Caribbean temperament—have dictated the pace. It is fully two years since a draft constitution for the region was produced by the committee under the chairmanship of Sir Hubert Rance. It is four and a half years since delegates from all the territories met at Montego Bay in Jamaica. There, they accepted the principle of federation and set up the Standing Closer Association Committee to prepare a constitution, together with other committees to draw up plans for a customs union, the unification of public services, a single currency and other matters. Eight years have passed since Mr Oliver Stanley, then Colonial Secretary, urged the West Indians to federate, not only to form a viable economic entity, but also a viable political unit to which full self-government could be granted.

It cannot be said, however, that progress has been sure if slow. Federation is still a long way off. There is nothing final about the deliberations now to take place. No colony is committed in more than the principle, and anything that their representatives recommend jointly with the others will have to be further debated by their own legislatures. Moreover, several colonies have gone back on the degree of conviction that they achieved at Montego Bay. Faced with an actual draft constitution which makes clearer the sacrifices involved in federation, British Guiana and British Honduras, the two mainland territories, have retreated—though they are sending observers to London. The Bahamas and Virgin Islands are also out of the scheme, which has thus lost a sixth of the population and more than nine-tenths of the land area originally conceived for it.

The scheme is now reduced—at least for the time being—to proposals for an archipelagal union of Jamaica, Trinidad, Barbados and the Windward and Leeward Islands; the largest unit, Jamaica, with a population of 1,500,000, is a thousand miles away from the rest—about as far as West from East Pakistan. It is already clear that the ten colonies of this archipelago are themselves having extensive second thoughts about the Rance constitution. The islands are more inclined to hold on to their own local powers, and have become more conscious of the cost of the central government; the trend of discussion within the West Indian parliaments seems to have been that a far weaker federal agency should be given far more sovereignty. Unable to say boo to Barbados, it must be able to tell Britain to mind its own business.

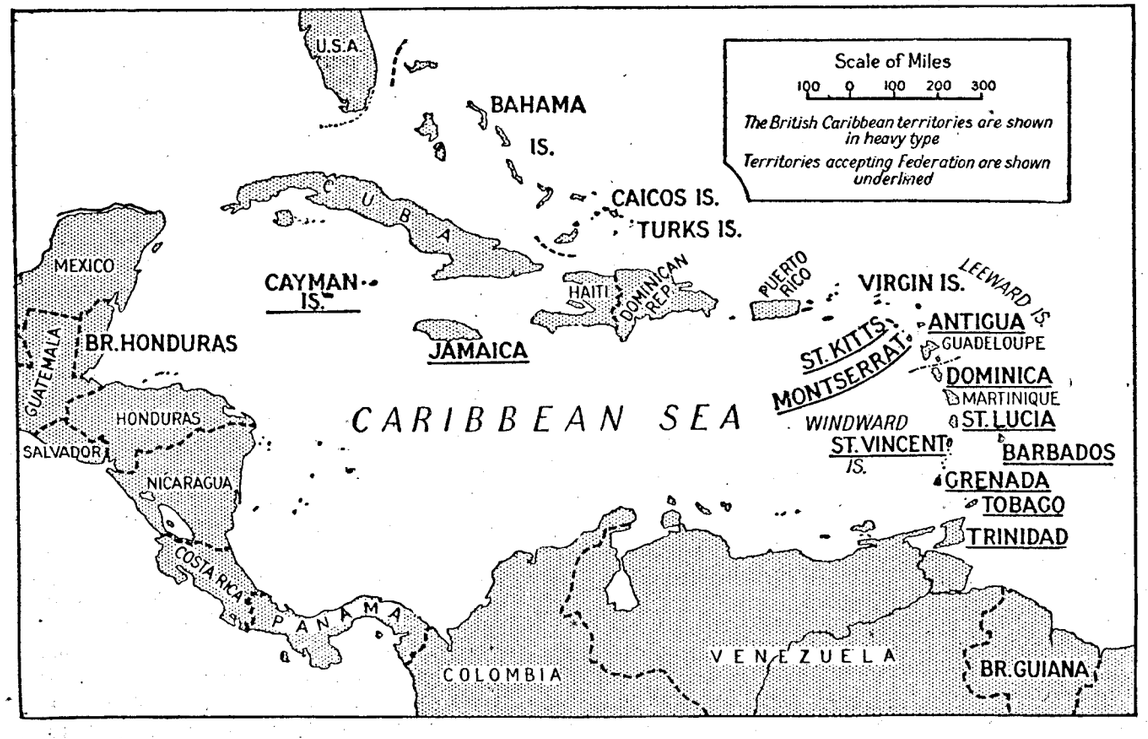
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Yet federation was to be based on the economic benefits accruing from closer association. Individually, the islands are too small to be viable economically, or to make their voices heard in world affairs. Their greatest interest is sugar—yet they produce only two per cent of the world's supply. Necessity has forced them to combine to negotiate with their customers; the same necessity dictates that they should ask with a single voice for financial aid from Commonwealth or world lending agencies. The cost of effective diplomatic and commercial representation could only be met by pooling it. It has also been urged that federation, implying a customs union, would enable the economy of the whole area to be strengthened by providing adequate markets for secondary industries and some greater diversity of production; it would make planning possible, and permit migration of labour from over-populated areas to those whose resources remain to be developed. There is substance in the argument; it is at least clear that such enterprises as a university and

agricultural research can be supported only on an intercolonial basis. But scope for increasing intercolonial trade among primary producing countries is, in any case, small. Regional West Indian trade accounts for a tiny fraction of the total ; the losses of customs revenue from a customs union will in most cases be less than five per cent. But with the mainland territories out of the federation the opportunity of developing an economic entity, based on their exports of rice and needs of manpower, will be lost.

The draft constitution worked out by the Rance committee was an ingenious attempt to find a lowest common multiple in a diversity not only of economic but political conditions. It sought, in fact, to combine the LCM of Caribbean economics and the HCF of Caribbean political institutions. Yet even on the political side it failed to satisfy British Guiana, which under its new constitution is about to be granted a large degree of self-government. These powers would thus be conferred only to be in part resigned to the federal legislature in Trinidad. Guianese spokesmen asked, "why give us a liberal constitution with one hand and take it away with the other by making us slaves to the islands of the Caribbean ? " The Guianese, like the Hondurans, have little trust for what they call the "ranting politicians of the West Indies." Nor do the people of East Indian race wish to be cheated of their electoral predominance in these territories by a large influx of West Indian negroes.

But the Rance constitution has also failed to satisfy the politicians of the islands. In Barbados the powers to be surrendered to the federal legislature are felt to be too great ; in Jamaica, and perhaps in Trinidad, the surrender of powers to the federation is clearly only acceptable on condition that the federal government is going to have greater powers than the islands have—to achieve Dominion status more quickly than Jamaica might hope to do on its own. The Rance committee recommended that besides a short list of exclusive powers reserved to the federal government, such as defence, external affairs, customs and communications, there should be a concurrent list, on which both federal and territorial legislatures might legislate, federal law prevailing ; this list would enable the federal government gradually to take over more functions, such as the control of trade, as it grew in experience and won the confidence of the constituent colonies. But "the spirit of colonialism" which runs through the Rance proposals has drawn fire from all shades of opinion in the islands, from extremists and moderates—in Jamaica, from Mr Bustamante and Mr Manley alike. Though the lower federal house is to be elective, the senate would be wholly nominated by the Governor-General ; though the prime minister would be elected by the lower house, the council of state would contain six nominated to eight elected members and be merely advisory to the Governor-General ; and many of the federal powers would be wholly reserved to the Governor-General. Such arrangements were criticised as amounting to the creation of a "super Crown colony" and representing no advance on the "existing federation" achieved by the powers still concentrated in British administration in the islands, and therefore ultimately in Whitehall.



While demanding more popular control of federal powers the colonies have also suggested that the expenses of the whole venture should be underwritten by British financial guarantees. It thus cannot be said that the West Indies have, as a whole, yet shown real faith in the effort to invest them with greater control over their own destinies—for which a stronger economic foundation is at least as important as more political power. It will be for the West Indian statesmen gathered in London to reconsider the very real advantages of the Rance proposals: they give the islands an opportunity of attaining Dominion status and at the very least of learning a more responsible approach to their problems. However a new scheme is drawn up, the way should be left open for the mainland territories to join at a later date, when the working of the constitution shows that, with energy and good will, it is no paper "federation of miscellaneous poverties." British Guiana has already indicated that it will continue to support all useful forms of joint representation and endeavour.

The political education that has been achieved in getting the territories as far as the London conference should not be underestimated. In the nature of things the making of a West Indian federation offered greater difficulties than a federation of Malaya, Central Africa, or Nigeria ; it may of necessity have to start with a very limited authority. If, in the making of it, West Indians learn more of the economic as well as the political realities, the effort will have fully justified itself.

TRADE OF THE WEST INDIES
(Average 1948-51)

	Imports (c.i.f.)		Exports (f.o.b.)	
	£ '000	%	£ '000	%
United Kingdom	37,671	37·2	29,782	43·8
Canada	13,787	13·6	14,186	20·9
West Indies	4,499	4·4	4,972	7·3
All Commonwealth	61,826	61·0	50,717	74·6
United States	17,680	17·5	4,858	7·1
All countries	101,297	100·0	67,952	100·0

AREA AND POPULATION

	Total Area (sq. miles)	Population ('000) (latest estimate)	Population per square mile
Bahamas	4,404	81	18
Barbados	166	213	1,283
British Guiana	83,000	431	5
British Honduras	8,866	70	8
Jamaica and dependencies	4,677	1,444	309
Leeward Islands			
Antigua	171	46	269
St. Kitts-Nevis	153	49	320
Montserrat	32	14	438
Virgin Islands	67	7	104
Trinidad and Tobago	1,981	649	328
Windward Islands			
Dominica	305	55	180
Granada	133	77	579
St. Lucia	233	80	343
St. Vincent	150	68	453
West Indies	**103,996**	**3,256**	**31**

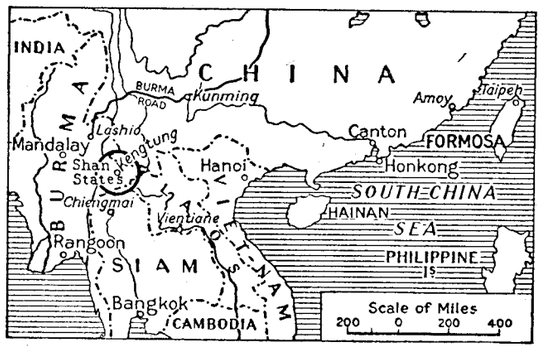
Burma Accuses

BURMA'S complaint to the United Nations about the operations of the Chinese Nationalists in the Shan states could scarcely be more awkward. To deal with it before the present General Assembly ends means floodlighting a sordid business that reflects no credit on anyone concerned, least of all on the coherence and sense of purpose of the free world in South-East Asia. To postpone it until the dispute gets dealt with by the Security Council will almost certainly lead to the use of the veto by the representative from Nationalist China—a Gilbertian situation. And behind the whole confused affair stands the very sad fact that, whatever the outcome, much has already happened to poison the relations of a number of people in South-East Asia with the United States.

These Chinese Nationalists, numbering some 12,000, are the remnants of Kuomintang forces that fled across the Burmese border from Yunnan, when Chiang Kai-shek left for Formosa in 1949. They have lived on the country ever since, defying the inadequate Burmese government detachments sent to deal with them. During 1951 they attempted several raids across the border into Communist China, but soon returned with their tails between their legs. Since then they have existed more as a series of armed guerrilla bands than as an organised force. Basing their operations on the neighbourhood of Kengtung and Monghsat, they have represented a latent embarrassment to the Burmese Government and a possible incentive to the Chinese Communists to move across the frontier. (To make matters worse the frontier in this remote region is disputed.) Their ostensible commander, General Li Mi, has established a tenuous air link with the Chinese Nationalists on Formosa, but it has never been clear how much this has brought him. His forces are known to have received a few modern American arms, passed on presumably from equipment supplied to Chiang Kai-shek ; these, it would seem, come either direct by air or have to be smuggled up through Siam with the private connivance of a number of Siamese officials.

The Nationalists in any case make considerable use of Chieng-Mai in northern Siam.

So much for the less recent past. What has lately set the cat among the pigeons has been an apparent change of tactics on the part of General Li Mi's men—he himself was recently reported to be ill in Formosa. Instead of evading action against the Burmese forces they began a few weeks ago to take the offensive, or at least to stand and fight. In addition, they have lately on occasion made common cause with elements of the Karen rebels ; and this has occurred at a moment when Burma, less hard pressed by Communist insurgents elsewhere, has had rather more troops available than hitherto for service in the Shan states. Even these developments, however, might have had no serious results if the skirmishing could have taken place without international complications. But as things are, the Americans are widely suspected in South-East Asia of secretly backing General Li Mi ; or, when they deny this, it is urged that they could simply tell the Formosan



authorities to see that he stops his activities. This so-called interference, apparently now more determined than ever, last month became intolerable to the Burmese. Accordingly they not only brought it before Uno but, in order to make their meaning plain, also told Washington on March 17th that they will accept no more American economic aid after June 30th of this year.

The Burmese have thereby raised a number of serious issues. Their complaint to Uno is really a jab at the Americans ; it undermines American prestige in South-East Asia ; it calls in question Washington's whole policy of supporting Chiang Kai-shek ; and it reverses, so far as can be seen at the moment, the favourable trend of the last few months towards closer and better relations between the people of South-East Asia and the West. Moreover, by demanding the demilitarisation and internment of the Li Mi troops rather than their repatriation, U Nu, the Burmese prime minister, has almost certainly made the dispute more difficult to settle. Why the Burmese have now gone beyond the simple demand that the troublesome Nationalists should be repatriated to Formosa is not clear. This is the solution apparently supported by Mr Nehru, with whom U Nu was touring the Assam frontier last month. The Indian Government has long been deeply opposed to Chiang Kai-shek's continued masquerade as the ruler of China, and it may be assumed that it regards General Li Mi's activities as a menace to the stability of the area. But, in spite of the close relations now developing between Delhi and Rangoon, it would seem that the Burmese have suddenly adopted a stiffer attitude than the Indians encourage.

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For the Americans this is a day of reckoning. Although Washington claims emphatically to have had nothing to do with these disturbances in Burma, the accusation dies hard. That is not surprising in the light of the clamour of the China lobby and its efforts to associate the United States with the Chinese Nationalists. People in other parts of Asia can hardly be blamed if they now take seriously what has been said in the past. Nor is it unreasonable to suppose that the Nationalists, dependent as they are on American support for sheer survival, must take Washington's word as law. If so, why cannot Chiang impose his will on General Li Mi and his ragged army ?

Nor, indeed, is this all. Burma's rejection of American aid may not be without effect on internal politics in the United States. It comes at a moment when the new Administration is re-examining the whole foreign aid programme and when the American taxpayer looks forward hopefully to the promised relief from some part of his burden. Economic aid to Burma, it is true, has not been heavy. The appropriations, begun in 1950, have amounted to $31 million, of which about only half have actually been shipped in the form of goods. But this rejection, coming on top of the trouble that the Americans have had in Burma—as in Indonesia and elsewhere—in switching from the Economic Cooperation Administration (ECA) to the military-sounding Mutual Security Agency (MSA) may encourage a general cutting of aid. If it does, then the slender lifelines between the economies of South-East Asia and the western world may be dangerously frayed.

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There is at present no obvious way of resolving this complex and unfortunate situation. Certainly no vote at the United Nations can exorcise 12,000 armed and ill-disciplined ragamuffins in northern Burma ; nor is it any use instructing them to withdraw unless the Siamese will allow them passage to the sea. But so long as they go on with their depredations, they will continue to have an international importance out of all proportion to the damage they do—and this the free world cannot afford. The Americans are right to be seriously worried ; and yet probably they alone have the influence in both Taipeh and Bangkok to restore their own standing in Rangoon. They would be wise to do all they can to bring General Li Mi's adventures to an end.

Notes of the Week

Tunnelling With Mr Vyshinsky

THE two speeches that Mr Vyshinsky made on Wednesday during the United Nations Assembly's debate on disarmament were extremely revealing—but not entirely in the sense that the speaker intended. The ex-foreign minister was making his first major public statement since his return from Moscow, and his new mildness duly impressed all those who have endured his diatribes for so long. Indeed, the halcyon mood that has settled on the UN headquarters building, while largely attributable to the unexpected agreement on a new secretary-general, owes much to the astonishing sight of Mr Vyshinsky sitting in the delegates' lounge without his bodyguards and beaming conscientiously at all and sundry. The Soviet delegate's statements on disarmament were equally in line with the Kremlin's present conciliatory tactics ; but they illustrated much more clearly both the aims and the limitations of the new Russian approach.

The United Nations has been discussing disarmament ever since it came into being, and the deadlock on this issue between the Soviet bloc and the majority has lasted so long that people may well be forgiven for having forgotten exactly what is involved. The essence of the western position is that there should be truly effective international supervision at all stages of the proposed reduction in both "*conventional*" arms and atomic arms. The Russians have repeatedly accepted the principle of international inspection, but have rejected, with equal consistency, all practical proposals for turning that principle into a reality. The western powers have suggested that, as a first step, the manpower of the principal armed forces should be reduced in such a way that American, British and French numbers would be equal to those of Russia and China.

The Russians have rejected this, proposing instead a percentage reduction which would leave the Communist countries with their existing superiority in numbers ; and they have also pressed for the immediate elimination of atomic weapons, on which the West has been forced to rely to offset that superiority. Not surprisingly, the overwhelming majority in the United Nations has backed the western plan, which offers open and equal disarmament, as against the Russian plan, which—even if it allowed for genuine verification—would only perpetuate the Communist advantage.

This week Mr Vyshinsky sought to show that he was offering a major concession, and he appealed to his antagonists to "meet these proposals half-way" and to "dig the tunnel of friendship from both ends" by not reaffirming the Assembly's 1952 resolution on disarmament. His "concession," however, consisted only in not presenting again the Russian programme that had already been rejected in committee, and he gave no sign that his government had in any way changed its basic position. The Assembly did what it could to satisfy him by omitting a passage to which he specifically objected, but it firmly endorsed the 1952 resolution by 52 votes to five. The exchange revealed quite plainly that the Russians' aim was to represent themselves as far more conciliatory than their opponents, while in fact conceding nothing of substance ; and it held out little or no hope that agreement on disarmament was any nearer. Indeed, whatever possibilities of settling various issues may now arise, it is hardly probable that they will embrace a solution of so fundamental and difficult a problem.

Light for Prisoners

ONLY those who have themselves spent long years in prisoner-of-war camps can fully understand the anguish that the prisoners in North Korea must have undergone. In their case, the sufferings that are the normal lot of prisoners in any war—incarceration itself, and the fear of its indefinite extension—have been increased by the Communists' refusal to admit the Red Cross to the camps or to permit a regular exchange of letters with families or friends at home. Even the lists of prisoners' names that have come out of North Korea have been defective. There is, therefore, all the greater cause for rejoicing at the prospect of the early liberation, first of the sick and wounded and then of the remaining prisoners.

All is, of course, not yet clear. At Tuesday's meeting at Panmunjom the Communists could not produce lists of wounded prisoners to match those offered by the United Nations' representatives—although ten days had elapsed since their acceptance of the long-standing UN offer to exchange the sick and the wounded. They also referred somewhat obscurely to the question of accommodating certain prisoners in neutral countries. It is to be hoped that neither the exchange of the wounded, nor the general exchange of prisoners which is bound up with the prospect of a lasting truce, will be endangered by dispute as to what constitutes a neutral country. On past occasions, the Communists in Korea have described Poland as a "neutral" while refusing to recognise India as one. The plain fact is that, in a war between the United Nations and an aggressor supported by the whole Communist bloc, "neutrals" are inevitably few and far between ; and if the Communists want to, they can still create another deadlock by exploiting this fact. But if deadlock was all that they wanted, why have they dropped their insistence on forcible repatriation ? The apparent answer is that they are at last genuinely ready to end the fighting. If that is so, the technicalities of agreement are not important.

Warning from Nato

THE second anniversary of the Allied Supreme Headquarters in France evoked from General Ridgway a speech of great moderation and good sense. He emphasised that the forces arrayed against free Europe have increased and go on increasing, that the estimates on which his staff base their claims to allied resources are the minimum required for deterrent defence, and that a joint effort is cheaper than a divided effort. He repeated once again his warning that the allied forces available "would prove gravely inadequate if put to the test." These are words to be borne in mind when the Atlantic Council meets a fortnight hence to consider its postponed planning of force requirements for 1953 and 1954.

If there is to be at some time in the future negotiation with Moscow, a faltering in the Nato defence effort would be a poor beginning to effective bargaining. If negotiation proved fruitless or disappointing, the ground lost could not easily be made up. The only Russian move that would justify a check to Nato's present modest plans would be a withdrawal of the Red Army from Austria and Germany. Even if that took place, governments would be wise to think long and deeply before leaving Western Europe without an adequate allied army and air force in being. The strength of the present forces lies precisely in their international organisation and the political loyalties of which they are a symbol. Mr Eden struck the right note when he said in a broadcast message last weekend that "we must continue the work of the North Atlantic Treaty in every sphere. Our own safety and the peace of the world depend on it." Now that a most regrettable illness makes it impossible for the Foreign Secretary to attend the Council, it is to be hoped that Mr Churchill can find time to attend what should be a most important conference.

A New Chapter

THE political situation to which Parliament returns next week is subtly but greatly different from that which existed before Easter. The short recess has marked the end of a distinct chapter in the history of Mr Churchill's Government. Despite the last minute row about the House of Lords amendments to the Transport Bill, the Whips can return in the knowledge that neither of the denationalisation measures, for steel and for transport, will make large further demands on Parliament's time. Unless something very strange happens, both will be safely on the statute book before the coronation. The Government managers in the House of Commons are thus freed from their most burdensome task, and Ministers can think more about their own legislation rather than about undoing that of their predecessors.

Into this changed Parliamentary situation there is now injected the impact of change in the Kremlin. At the least, there will be a quickened and more varied interest in foreign affairs at Westminster. At the most, if anything like a truce in the cold war should develop, the repercussions on British politics would be very great. Since 1946 the field of manœuvre of both governments and oppositions has been narrowed by the exigencies of the international situation. The parties have moved year after year along a defile of which one wall was the British economic crisis and the other the cold war. But, temporarily, the economic problem is less tense, and on that side the defile has widened a little; if now the international tension should markedly ease, the politicians would find themselves at least in a bay in the defile, in an area where they can afford at last to think and act anew—and more differently from each other.

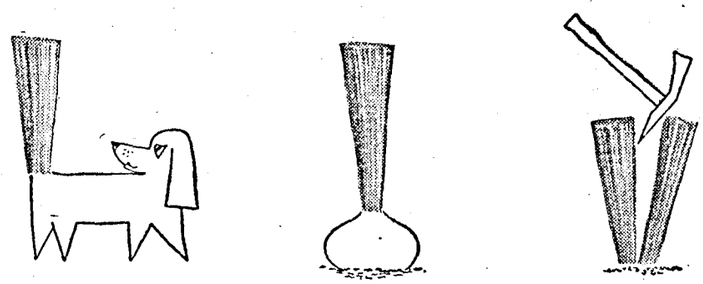
There would be some fine scamperings over issues that have long been half-submerged, and party differences would be accentuated as each side made use of the wider ground open to it. If there were any genuine pacification, ministers would be bound to think seriously whether this was the time to appeal to the country for a new mandate—particularly if, beyond the truce, the possibility of a recession loomed in their minds. There are no signs as yet that Mr Churchill is thinking on these lines. Indeed, for any responsible politician to do so is to count chickens before the eggs are laid. But in the recesses of the party headquarters, and in the gossip of the smoking rooms, exciting—or disturbing—new possibilities will certainly be stirring for a time.

Climax in Kenya

TWO fateful events took place in Africa this week. By the time this issue of *The Economist* appears, the result of Southern Rhodesia's referendum on Central African federation will be known. It will be clear whether the scheme has been killed outright or whether it has been approved by a majority of the predominantly European electorate of Southern Rhodesia and whether, therefore, it will be imposed on the much bigger majority of disapproving Africans.

Temporarily, however, the referendum has been overshadowed by the conviction of Jomo Kenyatta, the Kenya African leader, whose trial, with five others, on the charge of managing Mau Mau has lasted five months. The verdict, the date of which was known in advance, was preceded by elaborate precautions to prevent a fierce Mau Mau outbreak in the Nairobi district, which was suspected. A repetition of the recent massacre of loyal Kikuyu was averted; many more terrorists have been killed; and there are signs that, so far from being intimidated by the intensive Mau Mau attacks on themselves, the loyal Kikuyu have been provoked into striking back. A broadcast by the Governor last weekend struck a note of cautious optimism.

The conviction of Kenyatta—against which he has appealed—will almost certainly be a powerful influence against the terrorists. Perhaps it is too much to ask that a full report of the trial should be published so that those who wish, particularly in the world outside, can see for themselves that the magistrate had ample evidence on which to base his conviction. But in Kenya, and indeed in the rest of Africa, the conviction should prompt as much heart-searching as rejoicing that the "master mind" behind Mau Mau's objective has been removed. Why does British policy in Africa tend to drive the educated ambitious Africans into opposition to it? Why do the natural leaders become

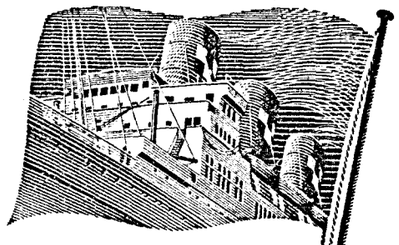


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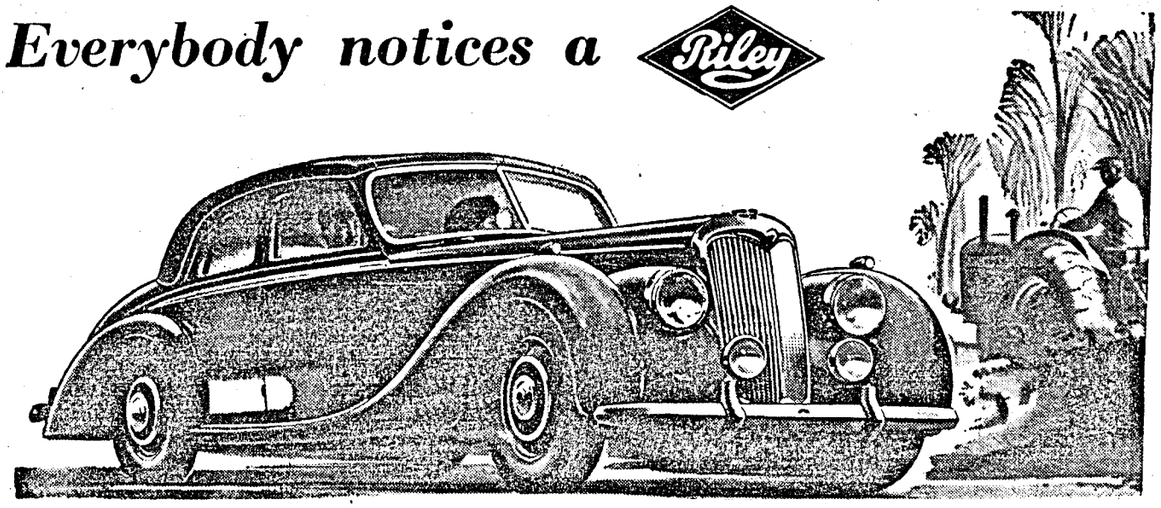
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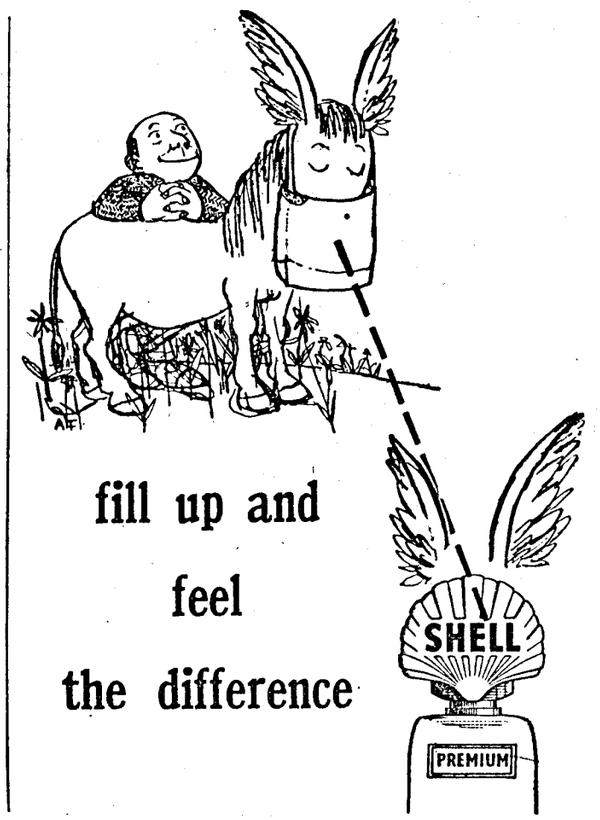
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extremists, determined to oust British rule? Why do the colonial governments fail to rally the support of the African moderates? In countries of white settlement, in Central Africa no less than in Kenya, some of the answers to these questions are plain. The conviction of Kenyatta should be the occasion for a new outlook among governments and settlers alike.

The Politician's Pay

"THE matter is under consideration" is a classic formula for dealing with importunate nuisances. But the deputation of Labour and Liberal members of Parliament, who approached the Prime Minister last week about higher pay for MPs, can scarcely have expected any other answer. This is a matter that any government must deal with cautiously. At the best of times it is a delicate business to vote one's self more money. Against the background of prolonged appeals for stability in wages, a rise on £20 a week cannot easily be explained to the voter.

That MPs should be paid more is not, however, in doubt. Out of their £1,000 members have to meet heavy expenses —secretary, stamps, fares (except to their constituencies), stationery (except House of Commons writing paper), and entertaining. These expenses, if duly accepted by the Inland Revenue, are tax free, but only £100 is accepted without question. The rewards of political life would be prohibitively small were it not for the fact that most MPs have other jobs. This has the great advantage of freeing them from complete dependence on the party machines, as well as widening their viewpoints, but it has its disadvantages as well. It distracts MPs when the growing complexity of modern legislation should be making bigger demands on their time. It tends to confine them to a narrow range of professions that can readily be combined with political life. And it is hard on those—Labour members—who have had to give up other income on entering Parliament and who are unlikely to be offered the company directorships that keep the wolf from so many politicians' doors.

Although ways of bettering the MP's lot without paying him more are often canvassed, all are open to some objection; a straightforward increase in salaries is, in general, the right course. But it is particularly important to give some special advance to junior ministers, who get only £1,500 a year plus £500 of their salaries as MPs, and who are not allowed to accept payment for any other work. They are the principal victims of a salary freeze that by now has spread a good deal of hardship at Westminster.

France Again Cuts Imports

THE French government last week announced new and substantial import cuts from countries in the European Payments Union area. Imports will be reduced from a rate of $130 million a month to $116 million, a cut of about 10 per cent. The main foreign commodities affected will be raw materials, such as coal, pulp, sulphur and cotton; and foodstuffs, including meat and dairy products. It is not possible to say how much of this monthly cut of $16 million will fall upon the sterling area, but it is clear that Britain, and more especially the overseas Commonwealth, will by no means escape unscathed.

This sequel to the action taken only the previous week by Britain, when it relaxed import restrictions that were alleged to be hurting French exports, is something of a surprise. It has been described by Mr Butler in the House of Commons as regrettable and "disappointing," a mild way to express the exasperation felt by all of France's partners at this latest demonstration of its inability to balance accounts without inflicting hardship on its neighbours. For most of the EPU countries 1952 was a year when, because of falling raw material prices and internal disinflation, they were able to restore stability and even to move towards greater liberalisation of trade. France was the outstanding exception. For a full year preceding the latest cuts, it had abandoned any pretence of liberalising its trade; and all its imports were governed by quota restrictions. Despite these stringent measures, however, its imports from many west European countries rose in 1952.

The new restrictions have been sharply criticised even within France. The critics do not deny that the French economy is in a bad way. The cumulative deficit with EPU has now reached $655 million, a total well above the point at which France must meet its monthly deficit entirely in gold and dollars. What they do say is that once again the French government has shirked the crucial issue. Its primary task is to halt inflation at home, so as to reduce prices and expand exports; and for this to happen the country must first have a budget that balances. The gap in this year's French budget, which is discussed in an article on page 97, is not unmanageable; but the present government, like many of its predecessors, has shown a natural reluctance to risk its own downfall by attempts to push through the Assembly the unpopular financial reforms required to cover the deficit.

When Italy Votes

THESE have been stirring weeks in Rome. The Communists were frantic with rage at being outmanœuvred in the Senate, first by the courageous chairmanship of Signor Ruini, and then by President Einaudi's unexpected dissolution of the Upper as well as the Lower House. In the new parliament there will be no more members "nominated" for resistance services in the war, and that will tend to reduce the representation of the Left; the Social Democrats, however, by rallying to Signor De Gasperi's centre coalition, will make up for this by sharing in the bonus of seats if his coalition wins on June 7.

The three main choices before the electors are clericalism, Fascism and Communism. At first sight it is a choice of evils; but, since neither the extreme Right nor the extreme Left is likely to come out on top, the chief issue of the election is likely to be how much power should be allowed to the Catholics to curb Fascism without forcing the country to move further away from the secular state. A

great deal will depend, as it has already depended for several years, on Signor De Gasperi's ability to keep some sort of a coalition in being. By sheer personality he has so far propped up a somewhat artificial arrangement with the smaller parties. When he first became prime minister he was 64 ; can he still do it at 72 ?

For the world, the elections on June 7th will be less momentous than those of 1948. Today there is no question of Communist domination in Western Europe, except by war, and the military and economic strength of the West is far greater than it was. Russia, moreover, looks like trying to relax the cold war which in 1948 was just gathering momentum. Then, it was the Italian election result which played a material part in deflecting the main emphasis of Communist pressure from Europe to Asia. Nevertheless, for both Italy and its allies in the Atlantic Treaty, the elections are still of great importance. A vote for the extremes of either nationalism or Communism could destroy a great deal of what has been achieved so carefully and painfully under Signor De Gasperi's wise and moderate seven-year premiership.

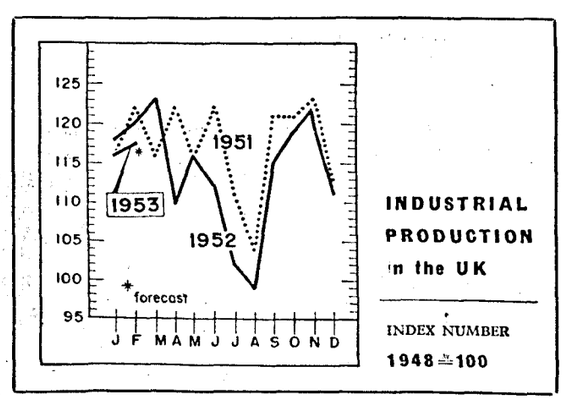
Steel and the High Authority

THE European Coal-Steel Community takes its next major step on May 1, when the six countries open a common market in steel. Meanwhile, its officials are discussing with industrialists and government representatives whether or not to fix prices for steel circulating within the market. German press reports say there is provisional agreement that prices need not be fixed since the internal market is felt to be in equilibrium ; on the one hand, supplies are easing and on the other hand, because stocks have begun to fall, there is little fear of any sustained downward movement of prices. It is expected, however, that there will be local price reductions in all member countries except France and Belgium-Luxemburg, where internal prices are now well below the level elsewhere in the Community.

Steel export prices of the Community to non-member countries are seen in a very different light and the industrialists of the six countries have privately taken action to stabilise these prices. Since the end of the American steel strike in mid-1952, export prices of Community steel, particularly French and Belgian, have fallen as low as £28 per ton. In order to check excessive competition and to prevent further price cutting, the steel industrialists of the Schuman countries, meeting recently in Paris, first closed their export orderbooks and then fixed new minimum export prices for exports from all six countries. These are slightly above the level at which France and Belgium have lately been selling abroad and a little below British export prices.

So far the High Authority has made no public announcement about this "gentlemen's agreement" and indeed the Treaty governing the Community is obscure in defining the jurisdiction of the Authority on matters of this kind. The industrialists taking part insist that they are not forming a cartel, since their arrangement does not extend to quota fixing nor does it specify sanctions against offenders. It is probable that the High Authority will eventually lay down some basic rules for the organisation, leaving its day-to-day management in private hands, just as it did in the case of the Community's scrap association.

It is becoming clear, however, that at some point the High Authority will be held responsible for those actions of the Community that affect non-member countries. Searching questions on this very point have been put to the Authority by the economic committee of the Council of Europe at a recent meeting in Luxemburg. These discussions led to M. Monnet's extremely interesting declaration that the Community would welcome requests from any new country, whether producer or consumer, for membership. The Community, he said, was not intended to be an exclusive organisation of producers and was anxious to widen its markets. His invitation can be regarded as a response to growing pressure for membership in the Community from consuming countries, especially in Norway and Denmark. Norway has already joined the ranks of countries with special delegations at Luxemburg—Britain, the United States, Sweden, and Switzerland—and Denmark is about to do so.



How Much Health ?

FOR the third year in succession a spring storm has broken over the cost of the health service. Two years ago Mr Bevan resigned in protest at the charges imposed by the Labour government. Last year the Labour party was united in disowning its own charges as well as in opposing those introduced by the Conservatives. Last week Mr Macleod's innocuous announcement of an independent inquiry into the present and prospective cost of the service provoked wild abuse from Mr Bevan ; there is talk of a motion of censure after the recess. To the Labour party, and to Mr Bevan in particular, the health service budget is clearly sacrosanct.

Yet an inquiry is long overdue. Had the burden it would throw on the Exchequer been realised in 1946, when the cost to the taxpayer was estimated at £120-£130 million a year, it is possible that not even a Labour government would have been quite so carefree about it. Since 1950, the cost has been virtually stabilised at around £400 million only by the imposition of charges on the patient and strict control of hospital budgeting. No one pretends that this limit represents any close measurement of the amount the taxpayer can afford for the health service. Nor does anyone pretend that, within the service, the right amount is being allocated to each branch ; it is certain, for instance, that the mental hospitals have come off badly.

These are not questions that can be answered, as was suggested in the House of Commons, by the Select Committee on Estimates. This body has already reported on the administration of the health service and was unable to make recommendations on a matter as important as block grants to hospitals, because it was a question of policy. Issues like this will, however, be within the terms of reference of the new committee. It will also have to consider the two basic influences on the cost of the health service, which were ignored in 1946 but were clearly set out a year ago by Dr Ffrangcon Roberts in his book "The Cost of Health." These are the ageing of the population and the increasing complexity and specialisation of medicine. Both factors tend to push up the cost of the health service indefinitely. Mr Guillebaud's committee has the difficult task of deciding how far they should be allowed to.

Lightning Conductor for Nationalisers

IT is easy to understand why the Co-operative party, at its Easter conference, accepted a report proposing the nationalisation of rented land. To the rank and file of the Labour movement, a programme containing nationalisation proposals is recognisably Socialist, a programme omitting them is almost automatically suspected to be the work of faint-hearted and time-serving trimmers. The nationalisation of land has, moreover, a particularly valuable emotional appeal to the section of Socialist opinion that draws its ancestry from the old landlord-hating single-taxing, Radical wing of the Liberal party.

The proposal also has the practical advantage, compared with other possible nationalisation schemes, that it can be embodied in legislation by a future Labour government without committing that government to any rash and sweeping executive action, or indeed to any immediate action whatever. It is far less uncomfortable to be committed to the piecemeal acquisition—at whatever pace appears most convenient—of rented land, than to be pledged to apply the sledge-hammer and bulldozer of complete nationalisation to, say, Imperial Chemical Industries, or even to re-scramble the unscrambled steel and road haulage industries.

There are negative virtues of the Co-operative proposal, which is believed to be very like the scheme for land nationalisation now being argued about by the Labour party's own policy makers. Its positive faults are grave. At the best, it can serve as an efficient lightning conductor. The methods and timing of nationalisation proposed in the Co-operative report aroused plenty of controversy at the conference, and the national committee was instructed to produce a revised and amplified version next year. In this sense, land nationalisation may give the zealots something to think about—which is an advantage if, but only if, other people in the Labour movement get on with the overdue job of framing a realistic policy for an alternative government.

Teachers Make Themselves Scarce

THE National Union of Teachers spent Easter at Blackpool letting off steam at Miss Horsbrugh and all her works. The conference also performed its annual somersault, which begins by deploring the shortage of teachers and ends by advocating measures to make the shortage more acute.

The union's president said that there are too few teachers because too many pupils leave the grammar schools at 15 and 16 ; the remedy he proposed was bigger maintenance grants from local authorities to pupils who stay on. For the last four years these grants have seldom been more than £26 a year, and there may be a case for raising them to cover higher living costs. But the fantastic suggestion has been made that they should be comparable to the wages the child would have earned if he had left school: in other words, that parents should be heavily bribed to take advantage of schooling that is already free, of opportunities that can bring their children success. Could the abdication of parental responsibility go further ?

It is true of girls' grammar schools that their sixth forms are no longer large enough to staff the teaching profession—although there is little or no shortage of men teachers. Of those girls who do stay at school after they are sixteen, two-thirds become teachers ; but seven out of every ten grammar-school girls leave before they are seventeen. If nothing can be done to prevent this happening, the best hope of recruiting more teachers seems to be to modify the qualifications for entry to the training colleges. At present they can be relaxed in exceptional cases. One local authority, for example, has very sensibly recruited girls from the modern schools, by giving them a special course before they enter the training colleges ; and no doubt they are perfectly competent to teach younger children. But any such arrangements are always bitterly opposed by the National Union of Teachers. Their aim is the contrary one of raising the standard of entry and lengthening the training from two to three years ; and they argue that the way to get more teachers is to pay them more. Any lengthening of the training is obviously out of the question at present. But it is easy to understand the conference's decision to terminate, next March, the Burnham agreement that governs teachers' salaries.

Israel or the Canal

THE meeting of the Council of the Arab League, which has been taking place in Cairo this week, has done little to paper over the cracks between the member states, and the prospect of a united Arab front when Mr Dulles visits the Middle East next month is certainly no nearer. The trouble is that, although the new American Administration seems likely to lend a much more favourable ear to the Arabs' aspirations than the last, they disagree in their demands both on priorities and on tactics. The Egyptians can think of nothing but the Suez Canal ; the other Arab states are still obsessed with the struggle against Israel.

Egypt has already tried and failed more than once to get the other Arab states lined up behind its stand against negotiating any form of Middle East defence agreement until the British quit the Canal Zone. They refuse because they are not entirely opposed to such an agreement ; indeed, Jordan and Iraq are committed to some extent already by their treaties with Britain. At the same time, the key to the situation lies in the fact that the Arab states would not come into an agreement unless it improved their position in relation to Israel. But here they are divided among themselves on tactics. Some people in each country, Lebanon, Syria, Jordan and Iraq, argue against being too difficult, since to come to terms with the West would mean a flow of arms anyway. Others believe that their greatest opportunity to bargain is now and should not be thrown away. What all forget is that the British, French and Americans have in effect guaranteed the security of Israel since 1950, and that if the defence of the Middle East is to have any reality there must be agreement both on the Canal Zone and on the Israeli question.

Rivals to Mr Yoshida

THE Japanese electorate is to go to the polls on April 19th for the second general election in six months, the consequence of the recent vote in the Diet against the government of Mr Yoshida, whose Liberal Party had gained a narrow majority over all other parties. The principal new features of the political situation, as compared with that which existed at the time of the popular verdict last October, are the emergence of a new party formed by the faction of the Liberals which has seceded under the leadership of Mr Hatoyama and the sharpening of the challenge to Mr Yoshida's policy from the Right. During the occupation period his Liberals represented Japanese conservatism as far as it was practical politics to go ; for in those days nobody ventured to attack the new democratic constitution that had been bestowed on Japan by American tutelage, or to reassert the values and aims of a political order that was supposed to have been abolished. Purges and trials likewise limited the field of personal rivalry in politics ; Mr Yoshida was almost the only eminent public figure of the Right who was regarded as innocent of complicity in Japan's aggressive policies, whereas Mr Hatoyama was purged for former pro-Nazi utterances, and Mr Shigemitsu, now leader of the Progressive Party, received a prison sentence as a war criminal.

Today there is a considerable revival of old-fashioned Japanese nationalism, with demands for a revision of the constitution, a rebuilding of national military power and a foreign policy to include claims for recovery of Karafuto and the Kuriles. Mr Hatoyama and Mr Shigemitsu, now freed from their former disabilities, are leading the new trend, and Mr Yoshida is left as the champion of a middle-of-the-road policy in both domestic and foreign affairs. The Hatoyama Liberals and the Progressives have put up 271 candidates between them against the Yoshida Liberals' 316, and they are expected to make a large dent in Mr Yoshida's former majority.

The dissensions on the Right might be the opportunity of the Left were it not that the Socialists are now even more sharply divided than they were six months ago into two separate parties, which have been unable to reunite even in a *bloc* for electoral purposes. The issue between the Right and Left Socialists in Japan has a certain resemblance to the Attlee-Bevan feud in this country, but has developed much further. The Right Socialists adhere to the Socialist International and are resistant to Communism, while the Left Socialists are neutralist, anti-American and strongly attracted by Peking. The distinction between the Left Socialists and the Communists is, indeed, much less clear than that between the Socialist wings. The Japanese Communists themselves are putting up a substantial number of candidates, and it remains to be seen whether they will succeed in increasing their present very small parliamentary representation.

Nehru and Nazimuddin

IT is good news that the prime ministers of India and Pakistan are to meet during the next few weeks. Both are expected in London for the Coronation, but it is now understood that they will have direct talks before that. These would be the first since 1950, and the first since Mr Nazimuddin succeeded Mr Liaquat Ali Khan as prime minister of Pakistan. The stage has already been favourably set by the recent three-year trade agreement between the two countries. This came into effect on March 25th and governs the two key questions of jute supplies for India and of Indian coal for Pakistan.

Correspondence about a meeting began between Mr Nehru and Mr Nazimuddin over the question of passports, lately imposed for the first time by Pakistan on those moving from one country to the other. Since then, however, far greater importance has become attached to the dispute over the use of water from the river Sutlej in the two Punjabs. The Pakistanis, their economy at present in a very bad way, have developed the same kind of pathological fear about lack of canal water that is shown by Egyptians about the Sudan's position further up the Nile. And not entirely without reason. For, as in Kashmir, India is in fact in the stronger position and appears to be unwilling to make what it regards as concessions.

Mr Nehru's recent statesmanlike appeal that policies be thought of not in terms of the anger and passions of today, but in the light of the more distant future, must have rang hollow to statesmen in Karachi ; for he had spoken in the same breath of the "narrow and bigoted outlook" which had brought Pakistan to its present pass. But Mr Nehru has a way of often being right. The Pakistani government has lately been under severe political pressure from its over-religious supporters ; moreover, whenever there has been a lull in the cries of the mullahs, the prices of consumer goods have taken another spiral upwards. But what both countries need is genuine peace in the sub-continent, and, if previous meetings of their prime ministers are any guide, nothing is so effective as these personal contacts. They are all too rare, and no effort should be spared to bring them about.

Graduates' Employment

THE annual reports of the university appointments committees can never give a complete picture of the placing of graduates in their first jobs, since many find their way independently into employment—though of these a certain number register later in hopes of a better second start. The reports do, however, provide at least a significant index of preferences and opportunities. This year's report by the Oxford committee records an increasing use of its services by employers and graduates alike ; notes that half the permanent posts offered were for men with scientific qualifications ; and confirms the symmetrical and ominous fact that science graduates are, in overwhelming majority, averse to school-teaching. The number of vacancies offered for arts graduates in industry and commerce rose last year by only one per cent—a discouragingly small reflection of business's often-expressed need for recruits of the highest non-technical ability. The "gulf between administration and expertise" has still to be bridged.

It is noteworthy that the great majority of employers offering jobs for arts men "revealed interest in how the candidate worked and what part he played in college and university life rather than the subject he read." This is natural enough ; to the business employer an arts degree is simply evidence of general intellectual quality and of capacity for application. It hardly matters in what field this quality and capacity have been displayed ; it matters a good deal more that the candidate for employment should also have shown himself to possess the qualities of character that are demonstrated in community life rather than in the examination hall or the tutor's study.

This difference between the academic and the industrial or commercial assessment of the "highest ability" has in the past been responsible for some wasteful misplacings and for a regrettable, if understandable, prejudice against the university recruit to business. The growth of a better mutual understanding of needs and qualifications is encouragingly recorded in the expansion of the activities of the appointments committees. With them rests, in great measure, the responsibility for avoiding one grave danger inherent in the widening of the educational ladder and the growth of the graduate population: the danger, that is, of creating a chronically under-employed class of frustrated mandarins.

The Cruel Sea

IF the country's sea defences are to be in a condition to stand up to next winter's storms, works will have to be completed in six months which would normally take 10 to 15 years. On 1,000 miles of coastline the sea this winter made 1,200 breaches, now only temporarily stopped. In these circumstances the Government is right to introduce the exceptional legislation that came before Parliament just before Easter. The Coastal Flooding (Emergency Provisions) Bill will enable river boards to do the large-scale work with the necessary urgency. The first part of the Bill gives power to the Minister of Agriculture to authorise river boards to enter upon land, construct new defences and drains, build access roads and the like without going through many of the normal formalities which protect the private rights of citizens and are in some cases required by local bye-laws. The power is substantial—but is limited to the period ending June 30, 1954. The second part of the Bill provides payments to farmers for the restoration of the 158,000 acres of land that was inundated and impregnated with salt, but it also gives the Minister reserve powers to coerce any farmers who are recalcitrant or negligent.

The Bill is to be treated as a non-party measure, and was welcomed by both sides of the House as comprehensive and necessary, however drastic. Labour members, however, expressed the tenderness for private rights which they considered would have been even more strongly urged by government members had they been in opposition and been faced with such a Bill. Some amendments providing for rather more power to appeal against decisions and bargain about compensation may be advisable. Parliament also showed doubts about the proper co-ordination between authorities, and over the relation of the short-term measures now to be taken, for which the government is authorised to advance £10 million, and the long-term measures to be worked out by Lord Waverley's committee. But time is short and the sea is a remorseless enemy unhampered on its side by private rights ; the committee and tribunal work must be cut in retaliation, even if it means some cost in normal liberties.

Two and a Half Per Cent

The difficulties which beset the Chancellor of the Exchequer in these days, when he looks round in order to see how he can lighten the burden of the country in relation to our enormous national debt, and to enable the public to participate in the advantages of the greater abundance of capital which it is manifest this country possesses, are not confined to the huge amount of stock upon which he must operate, if he attempts a conversion to a lower rate of interest in the ordinary way, but he is embarrassed in a still greater and more formidable degree, by the fact that, as the law now stands, the stockholder is entitled to twelve months' notice before any such operation can be effected . . . Mr. Gladstone has for the first time laid the foundation for a permanent and irredeemable stock paying 2½ per cent. The great advantage which it is to accomplish this object, as the foundation of future operations, is the only ground on which the conversion of the present stock into one of a higher capital (£110) could possibly be justified. There is no principle in relation to the creation of a public debt, which we regard as more unsound or improvident, as that which, for the sake of securing a present apparent low rate of interest, creates an obligation nominally higher than the amount actually borrowed. As a rule in making loans, it would obviously be always more profitable rather to pay a high rate of interest and to create a low amount of debt, because if the value of money becomes less, there is always the option of converting stock to a lower rate of interest, but there is no means of reducing the amount of the debt.

The Economist
April 9, 1853

Books & Publications

Development and Salvage

OUR UNDEVELOPED WORLD.
By L. Dudley Stamp.
Faber. 187 pages. 18s.

DR STAMP approaches the perennially overheated Malthusian debate from its cooler side—that of geography. His concern is to give solidity, both qualitative and quantitative, to that rather ambiguous concept the "underdeveloped area." "Underdevelopment" is a term which can be used on the one hand as a euphemism for poverty and ignorance, on the other as the expression of latent and unexploited potentialities. In both senses it is relevant to policy; but in one sense it is relevant to humanitarian rescue, in the other to productive investment at the point of highest return. Dr Stamp's primary interest is in "underdevelopment" in this second sense. The mid-century population of the world is of the order of 2,350 millions, and growing fast; fastest—and here is the first shock for Dr Stamp's readers—not in the teeming East but in the Americas. (In 1947 the crude birth-rate of the United States was equal to that of India.) A survey of the world's "cultivable" surface, including tropical rain-forest and savannah, shows a substantial but diminishing margin over the minimum area per head calculated as necessary for a "minimum adequate diet." The actually cultivated area, on the other hand, is already grossly deficient. Can one infer that there are "vast" areas undeveloped and awaiting utilisation?

Dr Stamp considers in turn that equatorial belt which has held out so many delusive promises in the past; the tropical savannahs of Africa, graveyard of the groundnut scheme; the arid and semi-arid zones which irrigation may fertilise only to poison; the far north with its frontier of permanent frost; and our own mid-latitudes. After discussing geology and ecology, rainfall and erosion, crop yields per acre and per worker, he reaches the paradoxical conclusion that the real undeveloped lands, whose full exploitation offers the fairest prospect of that "minimum adequate diet" for humanity, are those of the United States, Canada and Argentina. Cultivated as Denmark is cultivated, these could provide an addition to world food supplies compared with which the possible output of the tropical lands "seems to fade into insignificance."

How this addition to the human diet should reach the mouths that most need it is, of course, another matter; before the Dollar Curtain Dr Stamp throws up his hands and calls on economists and politicians for an answer—not without posing, first, what is surely the central question of world food policy: "If famine in India or China or Africa is to be explained primarily from population pressure . . . should the Western nations be compelled to accept such a position, or should their help be contingent upon conscious efforts . . . to change social conditions?" Has the West an unlimited moral obligation to underwrite, by its own work and sacrifice, any and every demographic explosion on the face of the globe? Even the most stalwart equalitarian may hesitate before answering "Yes," and from moral obligation to practical policy is a still farther cry. Yet to make aid—under Point IV or otherwise—conditional, would be "dictation and a new form of imperialism." Dr Stamp's survey of the "estate of man" is in a technical sense highly encouraging; his concrete suggestions for the development and conservation of that estate, based on long study of land utilisation, are constructive, practical and humane; but his disclosure that its potentialities are as unevenly distributed between haves and have-nots as its present yields leaves the Malthusian problem as thorny as ever.

The Miners' Struggle

THE MINERS. *Volume II. The Years of Struggle.*
By R. Page Arnot.
Allen and Unwin. 567 pages. 35s.

MR PAGE ARNOT is a Communist publicist commissioned by the National Union of Mineworkers to write a history of its forerunner, the Miners' Federation of Great Britain. This volume, the second in a series of three, covers the period from 1910 to 1930, years of bitter struggle and frequent national strikes, in the course of which the hostility between owners and men became ineradicable. The faults of Mr Page Arnot's treatment of such a story are not those that might be most expected. There is no attempt to force the facts into a framework of rigid Marxist analysis. Indeed, one could do with far more analysis: more discussion of the changes in outlook which impelled the federation to elect in turn such strikingly diverse General Secretaries as Thomas Ashton, Frank Hodges and Arthur Cook; more attempt to explain the difference between the districts—the relative militancy of South Wales, Lancashire and Scotland and the relative caution of Northumberland, the Midlands and, to a lesser extent, Yorkshire; and, above all, more attempt to set the strategy of the federation against the background of a declining industry, under inefficient management, in a stagnant economy.

It is not that Mr Page Arnot is too preoccupied with the human suffering involved to have time for such abstractions. He avoids by a fair margin another frequent Communist fault—that of regarding every agitation and every strike as a rehearsal for revolution and good for its educative effect without regard to its immediate result. But if this is because he feels deeply with the miners, it is not apparent from his narrative. The spirit of the miners, in their isolated and close-knit communities, comes through only in the first few chapters, which are a prelude to the main part of the book, in a few quotations from Herbert Smith, their dour Yorkshire President, and in some of the excellently chosen photographs. For the rest the story is told too much in terms of London negotiations. The picture which emerges is that of a number of men of great honesty and strong character, sometimes a little overwhelmed by the difficulty of the battle in which they were engaged, sitting in their Russell Square offices and exchanging rather stilted letters with the Prime Minister of the day.

In his account of the negotiations, Mr Page Arnot's predisposition towards militancy is never far below the surface. In particular, he is consistently impatient of hesitancy on the part of the miners' allies in the Triple Alliance or the Trades Union Congress. As a result, he oversimplifies one of the great problems of the Labour movement in the twenties. The miners were the best organised but most exposed section of the working class. As such they alternated between a desire for support and a sullen determination to "go it alone." This created a series of difficulties for their allies, which are not without some parallel in the international politics of today. Ernest Bevin, characteristically, wanted to solve them by the abandonment of the right of unilateral decision, from which would follow greater unity of action. But Mr Page Arnot hardly discusses this issue.

Nevertheless, the book has considerable merits. It is well documented and the narrative, despite a few quite dreadful sentences and an irritating habit of referring to some individuals as though the author were addressing an envelope to them, is on the whole clear and precise. Biographical footnotes on the leading characters would have been a considerable help.

Repulsive Figure

HIMMLER.
By Willi Frischauer.
Odhams Press. 270 pages. 16s.

WITH the exception of Hitler, none of the leaders of the Third Reich repays study so much as Heinrich Himmler. His personal qualities were negligible. Compared with Goebbels or Goering, leave alone with Hitler, he was a zero, without the intelligence of the first, the brassy self-confidence of the second or the magnetic powers of the third. His importance lies in an unusual conjuncture: he combined the most powerful position in Germany after Hitler's with the most literal belief in the racist fantasies which served as the ideology of Nazism. His career thus provides a unique double key alike to the struggle for power which dominated the internal policies of Hitler's Germany and to the mentality of Nazism.

In writing the first life of this repulsive and sinister, yet unimpressive figure, Mr Frischauer has neglected neither interest. He has read widely, if sometimes without discrimination, and he has made good use of the talk which was current in SS and party circles. The picture which emerges is a recognisable likeness, but as a serious study it is marred by the same faults as the author's earlier book on Goering. Apart from a style that too frequently borders on the sensational, Mr Frischauer is uncritical in his use of sources and rarely bothers to cite chapter and verse for his facts or his quotations. As a first attempt to collect the evidence the book is worth reading, but its permanent value is likely to prove slight.

Democracy Overseas

DEMOCRACY IN THE DOMINIONS.
By Alexander Brady.
University of Toronto Press (London: *Geoffrey Cumberlege*). Second edition. 604 pages. 52s.

IT is five years since Professor Brady published the first edition of this book and a great deal has happened to the British Commonwealth in that time. Much of it, however, does not directly affect the subject-matter of the book, for the author confines himself to a discussion of the working of democracy in the four "original" Dominions, the countries of overseas settlement—Canada, Australia, New Zealand and South Africa. For this reason there was no discussion of Ireland in the first edition—not, as the author explains in his preface, from any

> doubt whether Ireland was a Dominion or whether she was in the Commonwealth but by the circumstance that in character she was different from the young nations which developed from colonies in the last century and whose people experienced the social transformations of settlement in new and often severe lands.

For similar reasons it was considered proper in this second edition to exclude a consideration of the new Asian members of the Commonwealth—India, Pakistan and Ceylon—which have been established since the first edition was published.

Although it may seem odd to write a book on democracy in the Dominions and to leave out most of the interesting and difficult cases, and to exclude thereby the governments of the overwhelming majority of the people of the Commonwealth, there can be little doubt that Mr Brady is wise to exclude them, at any rate at this stage. It is too early to speak yet of the working of democracy in the Asian members of the Commonwealth; even if it were not, an attempt to understand the working of democracy in the four Dominions for which some comparisons can be fruitfully attempted should be made before the extremely difficult task of comparing its working in all the eight members is undertaken.

Although politics in the Dominions concerned, apart from South Africa, are often dull, Professor Brady has written an interesting book. It runs to over 600 pages, and it contains a great deal of information upon the political systems and policies of the four countries. The author's judgments are sober and, indeed, often ordinary, but they are always sensible and sound. He will not provoke thought upon the Commonwealth as a writer like Professor W. K. Hancock invariably does, but he provides a good basis for study. He has added a new part to the second edition. In this he devotes much space to a comparative study of his material—an important improvement upon his first edition. He is never narrowly constitutional or political, but shows an appreciation of economic and social forces and institutions which enriches his book. It is to be hoped that he will be encouraged to attempt a similar study, in a separate volume, of the working of democracy in the Asian members of the Commonwealth.

Statistical Methods

STATISTICAL THEORY IN RESEARCH
By R. L. Anderson and T. A. Bancroft.
McGraw-Hill. 398 pages. 59s. 6d.

ASSOCIATED MEASUREMENTS.
By M. H. Quenouille.
Butterworths. 242 pages. 35s.

BOTH these books are intended to familiarise research workers with statistical methods, but they differ both in scope and in treatment. The first is essentially a text-book presenting the theory in a formal manner with numerous examples to test the understanding of it. This book cannot be recommended as a first introduction to statistics, but it will be of use to those research workers already familiar with general principles who want to grapple with the underlying mathematical concepts. A considerable amount of material is presented, ranging from matters such as the theory of estimation, tests of significance, the properties of the chi-square distribution, to the analysis of variance and regression analysis and their link with the classical method of least squares. Special attention is given to the design of experiments, and for those who have to make extensive use of statistics, there are useful lists of references to original sources.

But the book has been condensed too much; it suffers from insufficient explanatory discussion to bind together the mathematical theory and an overzealous desire to set everything down as rules or theories. Possibly this adds to its value as a reference book—which is one of its objects—but it does not make for easy understanding. It also seems unfortunate that it has been felt necessary to give only a minimum treatment to the theory of probability, since it is the parent of mathematical statistics.

Mr Quenouille has confined his book to a study of the associations between quantitative measurements and he deals with it very competently. A particularly useful chapter shows how far graphical treatment can be used to decide whether or not there is a relationship between two or more variables. While the full regression analysis is discussed, some quick approximate methods are given which are useful when exactness is either not necessary or would take a prohibitively long time. A short introduction to the analysis of time series is included, distinguishing between trend and serial correlation. The amount of mathematics has been kept to a minimum, but it has been well mixed with practical application to produce a valuable book.

The Party First

THE COMMUNIST TECHNIQUE IN BRITAIN.
By Bob Darke.
Penguin Books. 159 pages. 2s.

IN 1933 Mr Darke, aged 25, unemployed, and of solid working class origin and upbringing, became chairman of the Hackney branch of the National Unemployed Workers' Movement and joined the Communist Party. Until May, 1951, he worked unremittingly in the borough for the Party, and this book gives simply but vividly the record of his eighteen years as a Communist NCO in

THE PROCESS OF ECONOMIC GROWTH
By W. W. ROSTOW
25s. net

This book presents and illustrates a general framework for the analysis of the growth and fluctuations of economies. Since growth is partially dependent on the political, social and cultural framework of societies, an effort is made to link such non-economic variables to the structure of modern economics. Keynesian income analysis emerges as an essential part of the mechanics of the system, but not as its central feature.

ECONOMIC STABILITY IN A CHANGING WORLD
By JOHN H. WILLIAMS
30s. net

The essays and papers collected in this volume centre round the application of Keynesian economics to current international problems. Professor Williams discusses fully the relationship between economic theorising and actual events; himself an adviser on American aid to postwar Europe, he devotes several papers to a detailed examination of the Marshall Plan and to the long-term development of American economy under peace conditions. A final essay considers Keynes's monetary theory.

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UNIVERSITY PRESS

the class war. As a trade unionist and a borough councillor he realised every day of his life and in every facet of his life four basic tenets of western Communism: that every situation is a political situation; that the party member's first responsibility in every post he holds is not to his constituents but to the Party; that Communism's advance depends above all on the Party's influence in the trade union movement; and that industrial and social conflict *per se* always benefits the Party.

For almost eighteen years Mr Darke conformed in every detail. As a borough councillor he "activated" cycling clubs, tenants' associations, groups of old age pensioners, the tuberculous, pacifists, parent-teacher associations, anti-Mosley demonstrations and anything else that came to hand. As a trade unionist he, with the help of his faction, committed the branch to endless Party resolutions, supported any and every strike, hand picked union officials, and dominated Trades Councils. At no time did the membership of the Hackney branch exceed 800, but thanks to hard work and organisational ingenuity their influence, especially in the trade unions, was out of all proportion to their numbers.

Those who argue that Communist trade union officials are primarily "good trade unionists" should remember that when the Party first applied for affiliation to the Labour Party it declared that "in all cases representatives must be considered as holding a mandate from the Party and not from the particular constituency for which they happen to sit. In the event of any representative violating the decision of the Party . . . the resignation follows of his or her membership of Parliament or municipality and also of the Party." The same principle applies in the industrial field and it is, therefore, no surprise that on the eve of the 1952 Trades Union Congress and Labour Party Congress Mr Pollitt was able to announce to his *friends*:

> Six annual trade union and co-operative conferences have gone on record against *rearmament of Western Germany*; thirteen trade union and co-operative conferences have gone on record for either a Five-Power Peace Pact, or peace through negotiation; eleven trade union conferences have gone on record against the policy of rearmament . . .; eight trade union conferences have gone on record for East-West trade; 28 trade union conferences have passed resolutions demanding wage increases; and seven trade union conferences have recorded votes against atomic and bacteriological methods of warfare.

Mr Darke's book, with its account of how such things come about, ought to be read and pondered by rank and file trade unionists everywhere.

Letters to the Editor

Australia

SIR—May I refer to two points in your survey of Australia? Your mention of a surplus in the 1951 Budget might imply that spending was reduced by that amount and a deflationary effect produced. The nominal surplus, about £100 million, was merely transferred from public to Government and used to finance capital expenditure on State public works. In fact, taking State and Commonwealth works together roughly £300 million of a total budget of about £1,000 million was so spent. Since it will be long before these come to fruition, the immediate effect was inflationary rather than the reverse.

Owing largely to our excessive cost structure, signs of a recession, together with the failure of the loan market, had occurred some months before the Budget itself. It is therefore highly questionable whether "draining off purchasing power" (the Treasurer's own phrase) was the right policy at all. It was indeed carried out, if not by the Budget, then by credit restrictions; but here, I think, your comment is quite appropriate that the axe rather than the surgeon's scalpel was employed. But in any case this policy was inconsistent with the policy of extravagant allotments for public works which the States have not always handled efficiently.

For the last two years we have been attempting the utterly impossible task of financing our own development on top of the rising cost structure. Fortunately costs are rising no longer, but they are excessively high. Until we convince the outside world that we have stabilised them it would be optimistic to expect a large inflow of outside capital.

A number of factors which you mention contribute to this problem. One is the link between prices and the basic wage. This can be ended in one of two ways; either by the Government abandoning the Federal Arbitration Court or by a Federal assumption of complete powers over trade and industry which would involve a referendum. Either course seems most unlikely. The other factor is the state of unbalance between rural and industrial economy. Except in the case of wool, almost all rural products have their prices or profits limited by various means either by internal price control or by external marketing arrangements. It is natural, then, for capital expansion and for labour to flow into commerce and industry. Excessive taxation makes matters worse.

It is fair to add that commercial life has adjusted itself to the present costs to a degree which three or four years ago would not have seemed possible, but the future snag, of course, will be capital replacement and high capital costs. An even more serious aspect in the long run is that margins for skill and for brain work have been reduced to a disastrous extent and are in many cases literally a minus quantity. It will be extremely hard in any circumstances to readjust this.—Yours faithfully,

W. O. FAIRFAX

Sydney

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SIR—The main arguments in your article, "The Price of Economic Growth," cannot fail to lose some weight in Australian eyes, for it is obviously in the interests of British consumers and exporters for Australia to increase primary production and decrease secondary. There is no possibility whatever of this happening if the forces of what was called "men, money and markets" in the nineteen-twenties are to be relied upon. *Laisser faire* has produced the problem, and *laisser faire* will do no more than continue to push it in the same direction.

It is impossible to do more than mention a few of the fundamental propositions underlying your argument. You couple (as we have always done) the need for population and development to secure Australia against Asian expansion. Is it not obvious that a more highly developed Australia would be far more of an attraction for Asia than an arid and backward one? If we greatly increase primary production exports we will earn more sterling. If we are to get the capital needed for national development in exchange we would have to turn to the dollar area. You recognise the limitations of dollar spending since the war (page 690). Is this not likely to become a critical and permanent problem in the event of a much higher permanent level of Australian exports? There still remains the most fundamental problem of all—Australia's export industries employ little labour per unit of output. Australia's present position is the outcome of population artificially increasing by immigration for non-economic reasons, and now the problem is to find it economic employment.

In an attempt to solve this problem in the past Australia turned to tariffs and measures to secure compensatory redistribution of income. Export income was left subject to world inflationary and deflationary forces, as was capital development in industry. The Australian method has now proved unsatisfactory. The future, however, does not hold more *laisser faire*, but less. It means a great deal of Government inspired and directed action in accordance with a national plan, for, as you conclude, "to allow the uncontrolled interests of the economy to run where they will must certainly cost Australians their living standards and could conceivably cost them their country, too."—Yours faithfully,

J. F. CAIRNS

University of Melbourne



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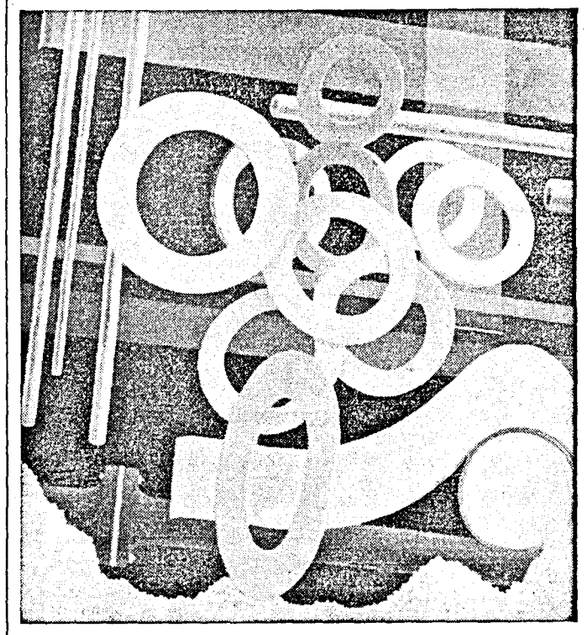
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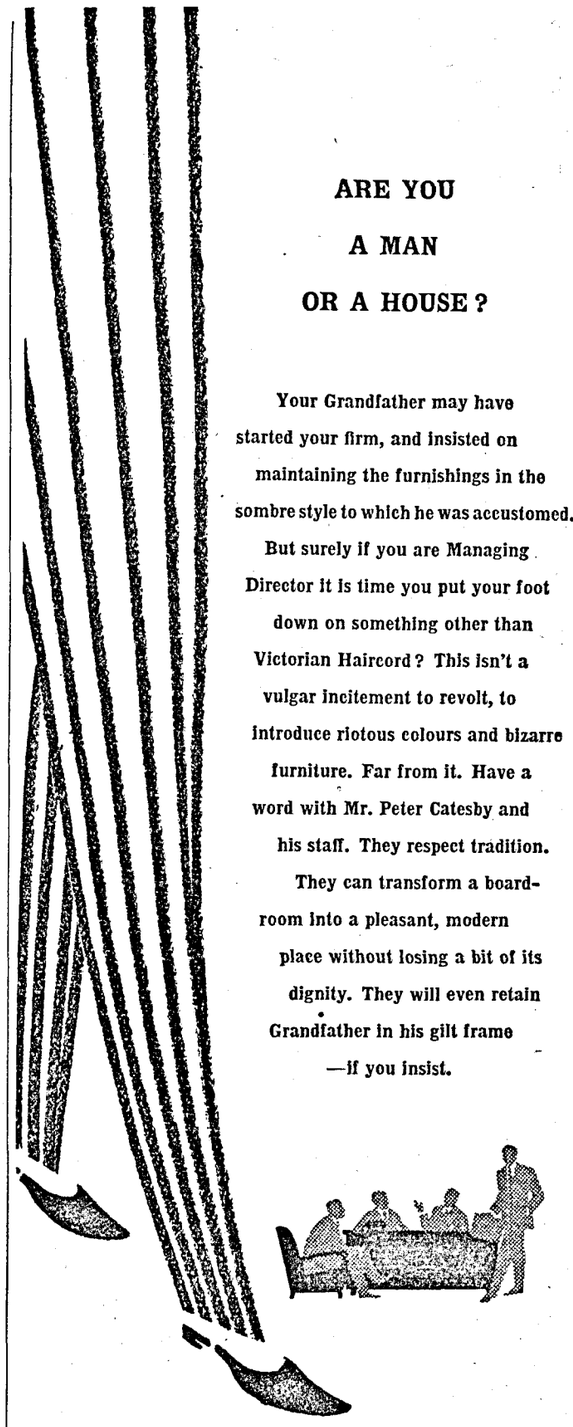
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American Survey

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

Offshore Oil—A Precedent?

Washington, D.C.

IT is very probable that the first Republican law for twenty years to reach the statute book after being passed by a Republican Congress and signed by a Republican President will be one that repudiates many of the best traditions of the Republican party. Last week the House of Representatives approved, by 285 to 108 votes, a Bill to give control of petroleum and other minerals which may be found under the sea to the adjoining states. The Senate had already held its committee hearings on the subject and began its debate on the measure this week; although there will be vigorous opposition, it is virtually certain that the Republicans will have enough support from southern Democratic Senators to enable them to carry the measure. When twice before, in 1946 and 1952, Congress passed a similar Bill, Mr Truman had no hesitation in exercising his veto. This time the new President is the proposal's avowed and enthusiastic supporter.

In the Gulf of Mexico the American continent dives only gradually below the waves, and in places the continental shelf extends outward for a hundred miles or more at depths at which modern ingenuity can develop its resources. Ever since oil became worth exploiting, three states with known oil deposits off their shores, Texas, Louisiana and California, have persistently claimed that this underwater ground was within their own borders, and therefore within their own power to lease or develop. Successive Democratic Administrations, upheld by two Supreme Court decisions, maintained that the federal government—that is the United States itself—had paramount power over the offshore lands.

Whether General Eisenhower had ever considered the problem before he gave his support so decisively to the position of the states may be doubted, but by so doing he enhanced his popularity enormously in the southwest, and especially in Texas; this was the nearest that he permitted his advisers to bring him to a direct purchase of votes, and in view of his overwhelming victory even this was unnecessary. Now the promise is being redeemed, but not quite in the coin the coastal states had been led to expect. The Attorney General has concluded that they can only claim title to resources within their "historic boundaries." These are the offshore boundaries the states possessed before they joined the United States; for Texas and Florida they mean three "leagues," or ten and a half miles, out to sea, and in the case of the others three miles. Even the concession to the vagaries of Spanish measurements in Texas and Florida has been opposed by the State Department, which rightly fears that it will be hampered in its battles to persuade other nations, especially Mexico, to restrict their definition of their seaward boundaries to the three-mile limit. With wry faces the representatives of the Gulf and Pacific Coast states have accepted the Attorney General's ruling and the House Bill gives the states quitclaim rights to the submerged lands within their "historic boundaries" but reserves control over the rest of the continental shelf to the federal government. The Senate Bill is somewhat weaker since it does not specifically provide for federal control over the area beyond "historic boundaries." The measure has not gone unchallenged, for there was nothing during the election on which Republicans and northern Democrats were more flatly opposed, but there is as yet no aroused public opinion on the subject.

★

What is disturbing is not the offshore oil Bill itself so much as its demonstration of the apparently weak resistance of the Republicans to raids on the national assets still held by the federal government on behalf of the people as a whole. The government still owns one-quarter of the land in the United States, 455 million acres in the country itself and 365 million acres in Alaska; a century ago before the western states were carved out and the railway companies lavishly endowed, the government owned three-quarters of the land. It ranges from grazing land which is let usually to small farmers and ranchers, timber land which has been cautiously forested and conserved, and national parks to mineral resources, estimated at four billion barrels of oil and 325 billion tons of coal. It brings in a revenue of well over $300 million a year, of which two-thirds comes from the sale of electric power.

For many years the attack on the federal domain has been growing in intensity, from the big ranching concerns, from the oil interests, represented in equal strength in both political parties, and most particularly from the private power and utility companies. It takes various forms; in the case of power and lumber projects, the demand is that federal assets should be sold to the public. With careful disingenuousness Mr Charles E. Wilson, of the electric, not the motor, company, asked last September:

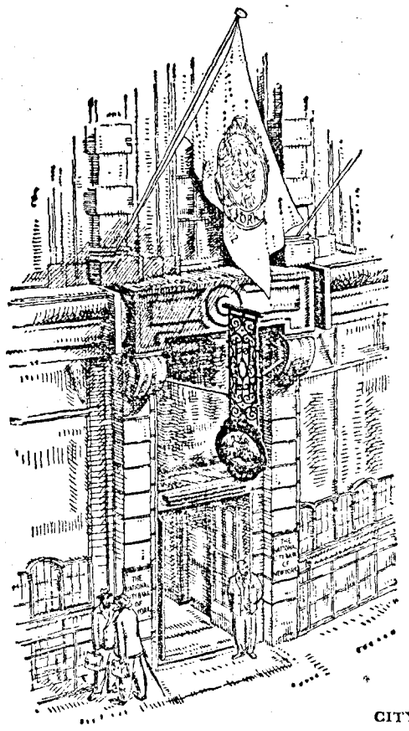
> What is wrong with selling our national dams, generating equipment and distribution facilities to the people? The potential buyers are all around us. They are the people who own government bonds. Bonds could be exchanged for shares of stock in the new companies to spring from the presently government-owned plants.

The national debt would be reduced and millions of citizens would own a tangible part of American business, added Mr Wilson. Soon after the election Mr Laurence Lee, the president of the United States Chamber of Commerce, inaugurated a crusade for "land freedom," the gradual transfer of all federal lands to private owners. More often, however, covetousness for federal lands appears decently clothed as a desire to see them "returned" to the states; the hidden assumption is that a state government would be more amenable to giving permission for the quick exploitation of land or resources than the remote, upright and powerful federal government.

Apart from the legal impossibility of "returning" property which historically belonged to the nation before any of the western states existed, the general Republican dislike of "big government" or any federal initiative even faintly reminiscent of the New Deal has led to an attitude of mind which, by permitting ruthless exploitation of natural resources, could weaken irreparably both the western states themselves and the rest of the country. Furthermore, the typical cry that the west is underprivileged in relation to the rest of the country, because almost all the federal land is situated there and state governments cannot levy taxes on federal property, is hardly justified. For like other poorer areas, such western states as Montana and Wyoming are indirectly subsidised by the richer states through the federal grants-in-aid which they receive for roadbuilding and other development projects.

It would seem that ingrained dislike of the New Deal has perverted one of the strongest and finest Republican traditions. With the exception of Franklin Roosevelt, the pioneering work in conserving the federal lands has been done by Republicans. The word "conservation" was invented by a Republican and the two men who arrested the frittering away of public lands and made them an example of careful development were Theodore Roosevelt and the intensely Republican head of his conservation service, Gifford Pinchot. Indeed, much of the political support which the Republicans gained in the west in the early part of the century rested on admiration and gratitude for federal safeguarding of natural resources. But now the chairman of the Senate Interior Committee, Mr Hugh Butler, of Nebraska, has hinted darkly at a Bill which would make the theory behind the offshore oil Bill "applicable to public lands." And he is likely to get the fullest support from Mr McKay, the Secretary of the Interior, and his new assistants, most of whom have been connected with private utility companies.

Offshore oil is clearly the opening shot of an attack that will be hotly pressed. It is, unfortunately, no adequate answer to say, as many Democrats are saying, that the Republicans are digging their political grave and making themselves very vulnerable to a rousing radical campaign next year. The public lands exist as such only as a result of the special historical development of the United States. As Mr Bernard De Voto points out in a recent issue of *Harpers* magazine: "If the public lands are once relinquished, or even if any fundamental change is made in the present system, they will be gone for good."



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American Notes

Feeling Prosperity's Pulse

THE fresh hope of peace in Korea and the improved prospects for a more settled world, which have been inspired by the conciliatory approaches from Peking and Moscow, naturally depressed and unsettled the stock and commodity exchanges. They will probably recover from their immediate fears fairly quickly under the influence of the Administration's warnings that Communist words cannot be believed until they have been followed by a great many deeds. Furthermore, there is a widespread suspicion that the Russian move would achieve its real purpose if it threw the free world into chaos by upsetting the American economy. Nevertheless, the health of that economy will certainly be watched with new care should the improvement in the international situation be maintained. As a result more importance may be attached to the symptoms of recession which some economic specialists have already discerned beneath the present high flush of prosperity.

Industrial production has been breaking records for six months; 10 million tons of steel were produced in March for the first time; non-agricultural employment did not fall in February as it usually does; and businessmen are planning to invest more in new plant and equipment this year than last, contrary to earlier forecasts. But the satisfactory demand for factory products, particularly durable goods, has depended on a growth in hire purchase credit that is beginning to cause anxiety. If consumers decide, as they are likely to do if peace seems imminent, that both their incomes and the prices they have to pay are going to decline, then they may stop buying. That would have serious consequences for the big industrial companies which are, or say they are, unconcerned about the direct bearing of peace on their operations, since only a small proportion of their output is governed by defence spending.

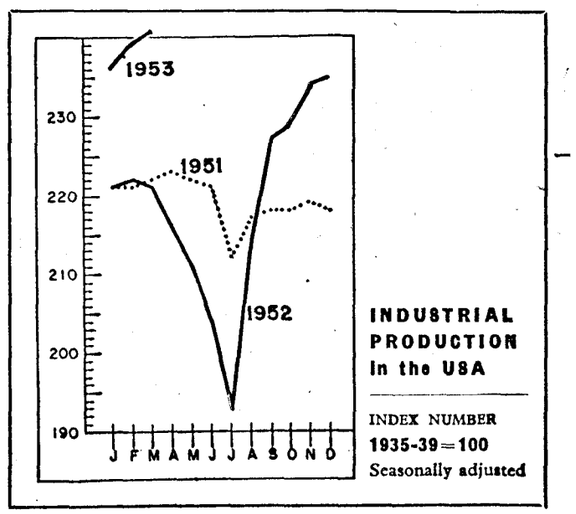
An armistice in Korea might not have much immediate effect on that spending, since it might mean chiefly that more arms would be available for other countries. The new Secretary of Defence has in any case been holding down arms buying since he took office, as a temporary measure until he can decide exactly how permanent economies should be made. He apparently favours two main methods of doing this—calling up fewer men and stretching out deliveries of arms over a longer period. Both would be facilitated by an easing of tension, but both are controversial and the President has emphasised that the final decision rests with him. So far Congress has shown itself willing to trust the man who is after all the country's greatest expert on these questions, but, as Senator Taft has recognised, it may become difficult to keep defence appropriations up to a safe level should the Korean war end. In that case, however, Congress is also almost certain to insist on tax reductions which would probably have a tonic effect on the economy which would help to counteract any debility arising from reductions in government spending.

Nibbles at the Deficit

IT will be several weeks before Congress is told exactly how much the Administration plans to save during the coming fiscal year on defence and on foreign aid, where a substantial reduction from Mr Truman's estimate of $7.6 billion has been promised. Senator Taft is hoping for an economy of at least $4 billion on the $46.3 billion proposed for defence last January. Unless something of that order can be managed, there does not seem to be much chance of achieving a cut of $8 billion, almost 10 per cent of Mr Truman's planned expenditure for 1954. This is all even the Republicans now seem to think possible, although it will probably not be enough to ensure a balanced budget in the fiscal year beginning next July.

Other less expensive departments have been sending their requests for funds to Congress this month. Several of them propose to save more than the desired 10 per cent, and Congress may insist on further reductions in some cases, but even so these departments cannot do more than nibble at the deficit, since they are responsible for only about an eighth of the government's total spending. The most drastic cut so far announced is for the Department of Commerce—15 per cent less than Mr Truman requested—but it adds up to only $169.5 million; and this is taken mainly out of shipbuilding subsidies, which Congress may insist on restoring. When compared with this year's appropriations for the department, the reduction comes to only $12 million. Democrats, determined to out-economise the Republicans, are insisting that this is the only true comparison and that the real test of whether money is being saved is to be found not in requests for appropriations, but in actual amounts spent.

The Treasury usually spends about the amount appropriated for it; its latest request is for $614 million, $50 million less than the January estimate and $40 million less than was appropriated last year. The Departments of Justice, Labour and the Interior are together asking for about $72 million less than Mr Truman suggested. The Department of Agriculture hopes to save $131 million, but this is without allowing for the rapidly mounting cost of supporting farm prices.



Buying Time on Tariffs

THE test of how far the new Administration can wean the Republican party from its high tariff traditions has been put off until next year by the President's request for only one year's simple extension of the Reciprocal Trade Agreements Act. The usual renewal is for two years. This Democratic measure, which empowers the President to reduce tariffs in return for concessions by other countries, expires on June 12th. The decision not to seek any changes this year is to give time for Mr Lewis Douglas to make his broad study of foreign economic policy and, according to report, for a special group to examine the controversial question of the tariff.

Combined with certain other concessions, the standstill proposal also promises to take the wind out of the sails of Mr Richard Simpson, the Pennsylvania Republican who is responsible for re-electing a Republican Congress in 1954 and believes that more protection for American industry is what the voter wants. Mr Simpson's Bill would take most of the flexibility out of the Trade Agreements Act. The President would lose his present power to ignore the recommendations of the Tariff Commission; the Commission itself would be required to add unemployment in an industry to the factors it weighs when considering whether a tariff concession should be withdrawn. The Bill would also set duties on lead and zinc imports which the President might not touch and— a present for domestic oil producers and the coal owners whose markets are being invaded—fix a quota on imports of crude oil and residual fuel oil.

Mr Simpson has not abandoned his Bill, on which hearings start on April 22nd, but he and his supporters on the House Ways and Means Committee have been much gratified by the appointment of Mr Joseph Talbott, an advocate of protection, to one of the two vacant places on the Tariff Commission. The Administration is also said to be ready to promise to negotiate no new general tariff reductions during the coming year—something which costs little, as most of the tariff reductions authorised in the Trade Agreements Act have already been made. Finally, the President has let it be known that, if a new body to study the tariff is created, Congress may be allowed to appoint some of its members. This would guarantee a sympathetic hearing both for those interests who are rallying their forces against the philosophy of "trade—not aid" as well as for those who point to the fall in American grain and cotton exports as proof that import bans, such as those on butter, peanuts, and dried milk, simply invite catastrophic retaliation. There is no doubt where the Administration's sympathies lie; spokesmen for both the State Department and the Department of Agriculture have asked that the section of the Defence Production Act authorising embargoes on dairy products, fats, and oils should be removed.

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McCarthy's Verbal Victory

WHEN Senator McCarthy announced last week that he had "negotiated" an agreement with a group of Greek shipowners who had undertaken to stop trading with Communist ports—something which they later declared they had not in fact done for two years—Washington decided with relief that the President could no longer avoid calling the Senator to account. Not even a man as anxious as President Eisenhower to conciliate Congress could, it was thought, tolerate such blatant mockery of the executive's exclusive power to make treaties.

But when Mr McCarthy was summoned to lunch with Mr Dulles on April 1st, it was not the Senator who was made a fool of. From that meeting of legal minds there emerged a statement in which Mr McCarthy conceded that dangers would result if Congress entered into the field of foreign relations and that Mr Stassen, the Director for Mutual Security, was responsible for controls over exports from other countries. Later Senator McCarthy also denied, against the evidence of his own press releases, that he had ever used the improper word "negotiate" in connection with his approach to the Greek shipowners. But the statement went on to say that the voluntary agreement arrived at by the shipowners as a by-product of the McCarthy investigation was in the national interest, and that Mr Dulles thanked the Senator for his help.

Any remaining doubt that the Administration had decided to keep the peace with Mr McCarthy at whatever cost to its prestige was dispelled when, at his next press conference, President Eisenhower accepted Mr McCarthy's word that no "negotiating" had been done and went on to say that when Mr Stassen had spoken of Mr McCarthy "undermining" the government's efforts to curb east-west trade, he had probably meant "infringing" on government prerogatives. Such infringement, said Mr Eisenhower, might be misguided but was nothing worse. Next day Mr Stassen, the only official who had openly condemned Mr McCarthy, publicly swallowed "undermining" and substituted "infringement."

If President Eisenhower wanted to counter-attack Senator McCarthy, he has what many believe would be a most effective weapon. This is the exhaustive report of the committee which during the last Congress, without any help from the Senator, inquired into his unusual financial arrangements. It was left to the Department of Justice to decide whether legal action should be taken against Mr McCarthy, and the department is now being urged to investigate his affairs thoroughly by Mr Francis Biddle, a former Attorney General who heads Americans for Democratic Action, a liberal group.

Back to Federalism?

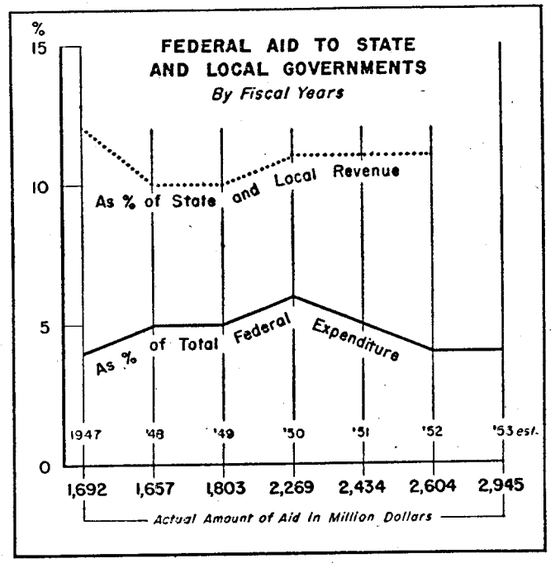
A GREAT depression, a great war and twenty years of Democratic rule have transferred more authority from the states to Washington than most Republicans and some conservative Democrats consider healthy. There are now 48 different programmes of federal aid to state and local governments, costing $2.6 billion a year, under which such state activities as road-building and social security are subsidised and supervised. The table gives a rough idea of where the money went in the year ended June, 1952, and estimates for this fiscal year.

	1952	1953*
	($ '000)	($ '000)
Grants-in-aid		
Veterans' services	6,656	9,695
Social security, welfare, health	1,475,429	1,637,212
Housing	33,777	88,501
Education, research	122,235	222,133
Agriculture	83,864	96,319
Natural resources	19,755	25,070
Transportation	447,921	537,560
Labour	186,528	193,780
General government	2,392,957	2,827,670
Shared revenues	38,104	48,438
Loans and advances (net)	172,659	69,034
TOTAL	2,603,720	2,945,173

* Estimate.

The reverse side of the coin is that the federal government now spends 75 per cent of all government outlays, federal, state and local, compared with 25 per cent in 1915, and that, in the three-fold scramble for revenue, the taxpayer not infrequently pays two or even three taxes on cigarettes, petrol, or cinema tickets. Income taxes are collected by 34 states and over 200 localities, as well as by the federal government, though tax credits make the system less burdensome than it might be.

President Eisenhower has now asked Congress for authority to appoint a commission to redefine the proper functions of each level of government, and to find methods of eliminating duplication of taxes while securing to the states enough income to discharge their responsibilities. The news has been received with joy by the states, who have even offered to pay part of the commission's costs; they forget that, in harder times, they themselves lobbied for federal aid. Now they are prepared to give up certain federal grants if the federal government will withdraw from given tax fields: highway grants, for example, if the federal tax on petrol is dropped. This tax is a sore point, since Washington collects more than it returns to the states. The big cities, on the other hand, do not relish at all the prospect of relying on state legislatures, in which rural interests are over-represented, for the money for slum clearance, housing and airports.



Source:—US Bureau of the Budget.

The President hopes his commission may report in time for Congress to act at its next session. This seems optimistic. The Under-Secretary of the Treasury considers that to hack a way through the tax jungle alone may take several years. Even in theory there is doubt whether reserving certain fields of taxation would provide the states with adequate revenue. In practice, their joint agreement to give up other sources of income to the federal government would be almost impossible to obtain. Grants-in-aid, too, have served to siphon income from the richer to the poorer states which, left to their own resources, could not provide proper services for their citizens. They cannot be pruned too rashly.

Defining Academic Freedom

WITH Congressional committees searching for Communists among teachers and students in places as far apart as Boston and Los Angeles, the question of freedom for teachers is far from academic, and the stand of the Association of American Universities has been eagerly awaited. Its statement on the "Rights and Responsibilities

of Universities and their Faculties" says at one point:

> The whole spirit [of a university] requires investigation, criticism, and presentation of ideas in an atmosphere of freedom and mutual confidence. . . . It is essential that the faculty of a university be guaranteed this freedom by its governing board and that the reasons for the guarantee be understood by the public. . . . Timidity must not lead the scholar to stand silent when he ought to speak.

This is no more than one would expect from the presidents of the 37 great American and Canadian colleges and universities represented by the association. But what in more normal times would be regarded as platitudinous is now hailed as a blow for freedom.

The association has picked a careful way between the deep red sea of Communism and the devil of McCarthyism. Its statement says flatly that Communist affiliations "extinguish the right to a university post." It enjoins upon professors the necessity of complete candour and integrity and concludes that those who invoke their constitutional rights to refuse to say whether they are or have been Communists—as 54 have in the current investigations—place themselves under a heavy burden of proof to show that they are fit to teach. In fact a number of teachers have been discharged for refusing to say whether they had been Communists, although even present membership in the party is no crime. The association does not believe teachers should be silent, either on conscientious grounds or out of fear of the consequences; it feels that investigating committees have a right to co-operation, and that abuses should be met by appealing to public opinion, not by defiance.

On the other hand, the association, while insisting that teachers are not immune from criticism, urges that they should be left to university discipline unless they have violated the laws, and promises that it will never condone irresponsible accusations. It deprecates the practice of requiring university professors and teachers to take loyalty oaths from which others are exempt. This is not so sweeping an indictment of "inquisitorial procedures" and "political misuse of legal processes" as the statement of the American Association of University Professors adopted last month, but university presidents, who depend on legislatures and wealthy contributors for funds, must speak softly.

SHORTER NOTES

Reconsideration of the Atomic Energy Act has been delayed for over two months because an intra-Congressional dispute has held up the work of the Joint Committee on Atomic Energy. The House members insisted that it was the turn of one of their representatives to be chairman and the Senate members maintained that they had a standing right to the appointment. It has now been decided that the chairmanships of all Joint Congressional Committees shall rotate between the Senate and the House every two years and Representative Cole of New York is the new head of the Atomic Energy Committee.

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A House committee has been horrified to discover that on leaving Washington the members of Mr Truman's Cabinet took with them lump sums ranging from $4,000 to $7,000 in payment for accumulated leave that they had not had time to enjoy while in office. Altogether over $700,000 was paid for this reason to 215 outgoing officials, who were under the impression that they were getting what was due to them. The committee thinks differently, arguing that the Civil Service ruling under which the sums were paid was a violation of Congress's intention that vacation pay should enable government officials to improve their efficiency by taking adequate holidays.

★

Almost unnoticed because of the flood of news from the federal legislature, the state legislatures have been quietly passing measures to deal with some of the lesser issues of the day. In North Dakota the sale of chocolate cigarettes has been banned because they might encourage children to smoke, while in Delaware it is now legal to be a witch. The State Assembly abolished an old law that made it a penal offence to "pretend to exercise the art of witchcraft, conjuration, fortune telling or dealing with spirits."

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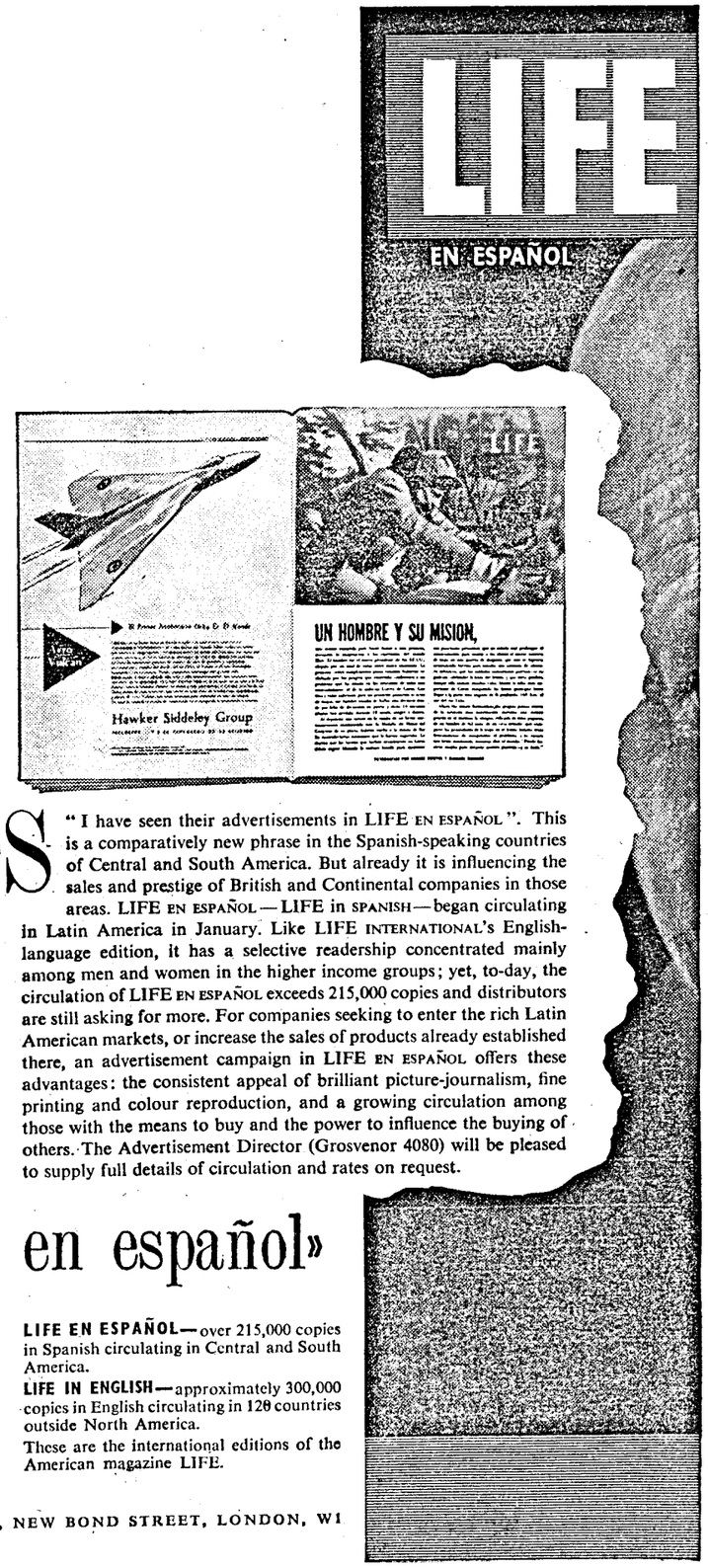
Tourist travel to Europe will not be noticeably increased by members of Congress this year, for the House Rules Committee has decreed an end to government-paid trips abroad for Congressmen, except for members of three key committees. In 1951 and 1952, over 300 Congressmen saw the world at the taxpayers' expense, and there were suggestions that some of the trips were not of vital legislative significance.

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The World Overseas

New Phase of German Recovery

FOR some time past, German business men and their allies in the Ministry of Economics have been convinced that the country's "dash for freedom" has come to a temporary stop; and it has done so before Germany has gone nearly far enough in recapturing its prewar share in world trade. Graphs of production and foreign trade, which used to show such spectacular leaps, have settled down to a gentle climb. In export markets Germans are faced with three new factors. Competition, particularly in heavy industrial goods, is much keener than it was, and Germans can no longer "sell delivery dates" to the same extent. More than ever, orders for capital equipment go to the firm that can offer the best credit terms. Secondly, German exporters, after their bad experience in Brazil, are now reluctant to take risks in other countries which have difficulties in transferring payments. Lastly, the home market no longer provides the same basis for high profits and large investments.

"Economic stagnation" is the term applied to the present situation, with some exaggeration. The optimistic Minister of Economics, Dr Erhard, and market research organisations see no cause for alarm. As Dr Erhard has pointed out, there is at the most a lull in Germany's economic progress, and new ways must be found in order to renew the forward drive. Production in January was up 6 per cent over the same month in 1952, and stood at 142 (1936=100). Some branches of industry are still booming both in the home and export markets; at home consumer goods are doing well but in overseas markets heavy engineering has been badly hit.

All Restrictions Opposed

The Ministry of Economics and the business world are at one in thinking that the first phase of German recovery is closed. The year 1952 saw Federal Germany with a trade surplus of DM702 million (£58.5 million) compared with a small deficit in the previous year. Trade with the dollar countries still showed a so-called "structural gap." It is regarded as essential to overcome this gap by a shift in trade policy, even though Germany was able to earn more than enough to cover its dollar deficit in other ways than direct sales to America. Payments by Americans in Germany and the amounts paid by the European Payments Union to settle part of the large German credit balance have been the chief sources of indirect gold and dollar earnings. In one way or another, the central bank was able to double its holdings of gold and foreign exchange last year.

The German plan for the next phase is designed with faith in German capacity to win any free competition. First and foremost, Dr Erhard will oppose restrictions in any shape or form. Germany has recently increased the extent of its own liberalised trade with the OEEC countries to 84.4 per cent of the total, and is now moving to 90 per cent. Moreover, the German authorities do not see why other countries in the OEEC should be allowed in future to reimpose import restrictions in order to save themselves from the results of over-valued currencies and a bad economic policy. Conscious of German rectitude, Dr Erhard suggests that such delinquents should in future be subjected to some international supervision over their internal economic policy.

Pros and Cons of Convertibility

The same faith in freedom has led Dr Erhard to champion convertibility. But the fate of the tentative British proposals in this direction, and the warnings of his own financial colleagues have put a brake on his impetuosity. The Bonn Ministry of Finance, under the very capable and hard-headed Dr Schaeffer, has pointed out that convertibility of the D-mark might well mean a flight of capital from Germany, in view of the very large amount of blocked marks whose foreign owners would use the opportunity to shift their money out. The Ministry of Economics has now proposed that convertibility should be approached gradually and jointly by increasing the extent to which the Payments Union requires debits to be settled in gold.

The proposals for expanding trade, which have in part been put into effect, mark a break with the postwar anti-inflationary policy of Germany. They are based on the idea that in order to expand exports the German standard of living must rise, with a greatly increased volume of low-tariff imports, and a newly-created internal market for mass-produced home manufactures. Germany, in fact, must repeat the experience of the United States in its earlier days, or, to some extent, that of nineteenth-century Britain. It is a bold conception that will strike sympathetic chords in the United States—to which country Dr. Erhard and his associates in the industrial world are confidently looking for the capital to assist them.

More specifically, the German idea is to increase home purchasing power. A number of moves have already been made in this direction. Income tax has been cut, salaries

of civil servants have been raised, pensions increased, and wages raised ; payments to refugees and others who have lost property through the war will shortly be made, savings dating from the days of the Reich (which were drastically cut in the currency reform of 1948) are to be revalued by about 20 per cent and holders of Reich bonds will later have their turn. Dr Preusker, a Free Democrat who is active in the *Bundestag's* financial committee, has formulated a scheme for further increasing purchasing power. It is gaining widespread approval, though now and again voices are heard protesting that prices will rise and so reduce Germany's export chances. But greater productivity—for which new machines in industry are required—will, it is thought, remove this danger. Inflation is held to be a thing of the past ; the public is saving at a greater rate than before the war and prices have been falling. Now, says Dr Erhard, the man in the street must get it into his head that refrigerators are not a luxury.

If the German plan is to work out as intended, part of this increased spending power must go into investment in new capital issues by private enterprises. The heyday of self-financing is over and the need to induce the public to buy shares is urgent. Dr Schaeffer is much criticised for having monopolised the limited market with his 5 per cent tax-free government bonds and for the insufficient extent to which he reduced taxation on profits distributed in dividends. This is said to be quite inadequate to stimulate share-buying. Dr Preusker has just stated that Dr Schaeffer will indeed, cut the tax further. But even so, it will mean a revolution in German thinking to induce boards of directors to distribute high dividends, or the public to invest in equities.

In foreign trade, Germany intends to concentrate on development schemes in backward countries. The Ministry of Economics plans to draw up " Point Four Programmes " and to conclude long-term agreements with countries that will offer Germany supplies of raw materials and a stable market. This means that Germany, in spite of its own lack of capital, must offer long-term credits and export capital by setting up or participating in enterprises overseas. Britain's latest arrangements for financing Commonwealth development are regarded with envy ; Germany, too, will try and secure the aid of the World Bank, to which the Federal Republic now belongs, for financing projects in countries that will equip themselves in Germany.

Support for Preusker Plan

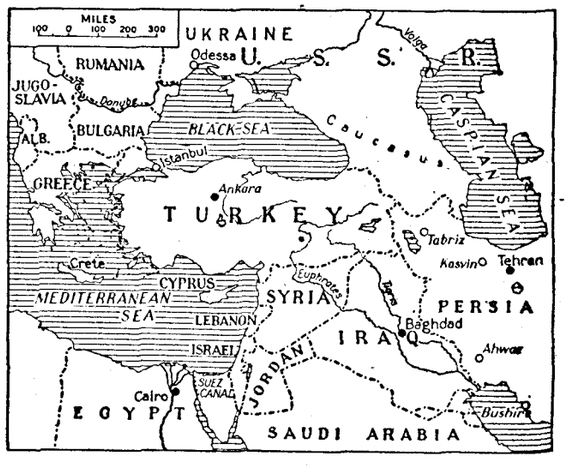
A part of Dr Preusker's plan is the issue of a DM500 million loan to finance exports of capital equipment at a low rate of interest. He proposes that the State should not only take up part of the loan, but subsidise the interest rate ; and that payment of interest and amortisation should be offered in foreign exchange to Germans as well as foreign investors. Such proposals have been frowned on in the past year by some economists and bankers. They point out that Germany should not simply export for exporting's sake—it is in any case bound to transfer without counterpart about DM1 million a year for Reich debts and reparations to Israel. The money would in the long run have to come from the central bank. Moreover, the banking consortium founded a year ago to grant export credits of up to four years (the Ausfuhr Credit A.G.) has still only used up 80 per cent of its credit line. But the Preusker plan—though it has not yet been adopted—has been taken up surprisingly rapidly. One reason may be that the Germans want to be able to offer funds towards building the new Assuan dam.

An essential part of the new German policy will be to foster its trade with Eastern Europe and China. It is constantly asserted that Germany must buy from countries to which it can sell in increasing quantities and on a long-term basis, even though prices in the Soviet bloc may be above the American level. German-American trade was not important in prewar times, and many Germans are convinced that it never will be again once the natural links with the Eastern bloc are re-established. An effort to overcome the political handicaps to this trade will certainly be made during the new phase on which Federal Germany is now entering.

New Outlook for Middle East Defence

BY A MILITARY CORRESPONDENT

NOW that Marshal Tito has come and gone it is opportune to appraise afresh the strategy of the Middle East as it affects Britain and its friends. A new combination of "western" military power may soon be emerging in the eastern Mediterranean to modify our conception of the defence of that region. Hitherto, we have directed our energies to maintaining a force and a well-provided base on the Suez Canal. Should we not now recast our plans ? For so long we have been accustomed to look from Egypt towards the north-west that we may not have given enough attention to the north and north-east.



If Turkey, Greece and Jugoslavia are to be counted as a single strategical unit co-operating with the western powers, then their special role can be readily understood from the position that they occupy. This bloc, with its mountainous borders, is not only a strong bastion of defence held by staunch fighting men, it is also a base for a counter-offensive into the satellite countries of southern Europe and into the Ukraine, and eastwards from Turkey to the Caspian. It should be possible to thrust at the flank of any hostile advance southwards from Tabriz and the Caspian Sea, westwards from Kasvin into Iraq, or south-west from Teheran on Ahwaz and Bushire, all by the main rail or road routes through Persia.

Lying back from the southern flank of Turkey is the mountainous fringe of Syria, Lebanon and Israel, containing ports of entry by sea from the west for forces operating to meet frontally these hostile advances, either on the western edge of the Persian plateaux or in the deserts. Here again, not only do these tangled mountain masses form a barrier against landborne attack from the east upon the ports, but they also simplify defence against sudden airborne invasion launched with the object of seizing the eastern Mediterranean littoral and severing Turkey and Egypt from sea communication with the West. Furthermore, they menace the flank of an enemy passing south of them towards Egypt. The history of the Crusades is full of evidence which confirms this estimate of the importance of these small countries.

Of immediate importance to the British today is the plain fact that they could not maintain a garrison and base in Egypt with this coastal fringe in the hands of a well-found enemy. Forces placed here and in Turkey defend Egypt ; forces in Egypt, ours or anyone else's, exert little influence on the defence of these countries from the onslaught that we have in mind. Useful as bases in Egypt may be, they can effect little without offensive bases farther forward, whereas forward bases on the eastern Mediterranean littoral and on the northern shores of that sea need not depend on an Egyptian base.

Importance of Air Transport

The Suez Canal has been described as our lifeline in the event of war, the Canal Zone as an essential base area for the defence of the Middle East and as the staging post for sending support to our friends in the East. Having been deprived of the use of the Canal in two world wars and having emerged none the less victorious, we tend to accept it as inevitable that in another war our ships will again be prevented from making anything like free use of this waterway. It is safer to assume that with the greater neutralising effect and range of weapons now in sight, we will in war derive little benefit either from the Canal or even from the Red Sea. Having decided that we will probably be unable to pass this way by sea, then we have to content ourselves with sending our ships round by the Cape and with a greater use of transport aircraft. It is an ill wind that blows no good, and if this decision were to lead us in peacetime to make greater efforts in the production of freighter and passenger aircraft, then this would be no bad result. Gradually the air replaces the sea as a means of movement both in peace and war, particularly as a means of moving human beings, whether civilian or military.

As a defensive base and entrepot the Canal Zone is admirably placed. It is served by excellent harbours for traffic from the east and the west and it provides valuable staging posts for aircraft. It lies back from the threatened areas and was—until there were signs of a new military confederacy of the eastern Mediterranean—centrally situated for the defence of the Middle East. But now its importance seems to be declining as the strategic emphasis passes northwards to the opposite shores of the Mediterranean, where it now appears likely that friendly countries will be ready to accept and to look after bases that offer port and airfield facilities not only to the British but, far better, to an international body. If the offer were to be made and accepted, then Britain could at once shed its lonely and unenviable responsibility for Middle Eastern defence.

Vicious Circle for French Finances

IN Goethe's *Faust*, the Devil invents a very ingenious method by which to help bankrupt governments: he mints gold coins, buries them all over the kingdom and organises a general treasure hunt. The French government's dramatic last-minute request for a loan of 80 billion francs from the Bank of France, shows clearly enough that it is once again in a precarious financial state ; nor is there much doubt that there are pots of gold as yet untapped, both in the form of gold-coin holdings by the agricultural population, of often disguised foreign assets held by industrialists and private speculators and, above all, of general income which has escaped taxation. Although M. Pinay's gold-backed three and a half per cent loan of last year succeeded in charming 196 billion francs out of the clinging ground, this is not an operation that can be successfully repeated each year. By now it must be obvious even to the most cheerful of French parliamentarians that drastic action rather than magic is needed to stabilise France's internal financial position. Moreover, as long as French finances continue their present meanderings from crisis to crisis, no measures for balancing France's external accounts can be really effective and France will continue to be the main obstacle in Europe's general progress towards a system of liberalised international trade and payments.

What has brought about the present crisis, whose full severity has been disclosed by the government's announcement that it will not be able to repay the Bank of France loan by May 31st ? What has happened, essentially, is that the budget unbalance has shown up somewhat earlier than was anticipated. In order to meet this situation, the government borrowed 25 billion francs in January from the Bank of France and has now borrowed a further 80 billion with part of which it intends to repay the earlier loan. A number of factors contributed to the difficult position of the Treasury. M. Mayer's government obtained the voting of the budget as a whole, whereas usually the National Assembly merely votes provisional amounts during the first few months of the fiscal year. These provisional amounts, or " twelfths," ensure that government spending is kept within rigorous limits.

Heavy Demands on the Treasury

Secondly, municipal elections are taking place in the last days of April and the first week of May. As a result, local politicians were eager to make some efforts towards redeeming earlier electoral promises. Municipalities, therefore, drew on the Treasury earlier and more heavily than usual to finance various works projects. Another drain on it was created by the provisional liberation of funds for various nationalised industries which had been blocked last spring, during M. Pinay's drive " to save the franc." These industries have been anxious to use up their credits before the government once again froze them. Finally, there is the perennial problem of France's burden in Indo-China where an unending struggle draws as heavily on French financial resources as it does on French lives. The $255 million promised to France by Washington for the year 1952-53 had not, until recently, been forthcoming. On returning from the United States, however, M. Bourges-Maunoury, the Finance Minister, announced that agreement

has now been reached on $230 million worth in off-shore purchases. An unspecified part of the counterpart funds thus made available to the French government will be used for Indo-China.

At the very time when these various demands were being made on the Treasury, the government's revenue proved to be less than was expected. Too optimistically, the last government had assessed budget revenue in the expectation of a 3 per cent expansion in economic and industrial activity. Instead, the index of French industrial production has remained at about 145 as compared with 149 in February, 1952. But the central fact is a budget deficit variously estimated at from 600 to 800 billion francs. Originally, the government had planned to span this gap by floating special loans in imitation of M. Pinay last year. During his drive for austerity and renewed confidence in the currency, M. Pinay was able to raise a total of 505 billion francs, of which 196 billion came from the gold-backed loan, some 34 billion from long-term Treasury bills, and 275 billion from various forms of loans, some of which were raised in the form of tax reserve certificates. It should be noted, however, that of these 275 billion, 175 billion were subscribed directly by the banks (largely through inflation of credit), whereas other sections of the capital market took up only a 100 billion.

Inflexible Hard-Core Deficit

At present, M. Mayer's government has little hope of approaching M. Pinay's total. Although the government's highly inflationary policies with respect to the Bank of France have not as yet been reflected in the price structure and have not given a new momentum to the cost-of-living spiral, when it comes to getting money from the capital market the present atmosphere is frankly hostile. M. Pinay's integrity of purpose and willingness to propose harsh measures had created a resurgence of confidence of which few traces are now left. Even if the government is able to raise 200 billion francs (a rather optimistic estimate under present conditions), it will have to cover the gap of some 400 billion. Compared with the total budgetary expenditure of nearly 4,000 billion francs, this is obviously not a very vast margin. It does represent, however, a rather inflexible hard-core deficit which must introduce a note of realism into the financial levities of French parliamentarians. So far, however, the government coalition has not been prepared to alienate the voters, particularly in rural constituencies, by laying before the Assembly a drastic programme of tax and fiscal reform.

The National Assembly itself had rejected the far-reaching proposals for reform put forward by M. Pinay when he wished to introduce a single tax on sales, whittle down tax-exonerations, and redress the general situation in which the salaried, urban, fixed-income groups bear a far greater tax burden than the business class or the peasants. It was, in part, because of his bold suggestion that peasant-distillers should no longer be allowed to distil a large part of their alcohol tax-free that M. Pinay had his parliamentary ground cut away from under him. M. Mayer is perfectly well aware that a similar fate may await him if he comes forward with the kind of draconian programme being rumoured in the press and Treasury circles.

This programme might include an increase in the price of cigarettes and public services, a measure immobilising certain blocked budget credits indefinitely, a tightening of control over the spending of nationalised industries, and a number of positive measures calculated to stimulate productivity, such as an anti-cartel law. If the Moscow peace offensive continues, moreover, France may feel itself tempted to cut its defence expenditures which amount to 863 billion francs for Europe and 376 billion for Indo-China. The problem, unfortunately, is not one of designing a proper blueprint for reform, but of getting it through the Assembly and of obtaining some form of response from the public. As long as French deputies are unwilling to risk the displeasure of their peasant electors, reform will remain a distant mirage. But until reform is carried through, the peasant will not give up his gold and the industrialist will not bring his hoards back to France from Zurich or New York. That is the vicious circle in which French finances have for so long been trapped.

Strange Coalition in Austria

THE fate of the new Austrian coalition government will be watched with interest in Western Germany, where the next elections may raise the question whether a partnership in power of Socialists and Christian-Democrats is possible or desirable. On the face of it, the outlook for the new coalition of Socialists and People's Party in Vienna does not look bright. The previous division of spheres of influence between the two groups holding opposing economic principles broke down over the deflationary budget of the Finance Minister, Herr Kamitz. The Socialists, anxious to lessen unemployment, could not agree to the pruning of public expenditure, even though Herr Kamitz's policy had halted Austria's dangerous wage-price spiral. They in turn demanded that the government-owned *Kreditanstalt,* which is a large holder of industrial shares, should come under the control of the Socialist Minister for Nationalised Industry. The coalition broke down and elections were held last month. They resulted in an overwhelming vote for the two centre parties, which are now almost equal.

In spite of the moderation that is so clearly preferred by the voters, the People's Party insisted that Dr Figl, the excellent and conciliatory premier who had held the peace with the Socialists so long, should be replaced by their party chairman, Herr Raab. It is much more difficult for the Socialists to serve under the new premier, who was associated with the Heimwehr and is head of the Chamber of Commerce. But the alternative of refusal would have been that the People's Party should form a coalition with the League of Independents, which has provided a political home for many former Nazis. After tough bargaining, a share-out of offices has been arranged, which leaves the Socialists with two more under-secretaryships than before.

The main difference between the old and new coalition is that there is now even less of a joint programme than before. The Kamitz line will continue to guide fiscal policy, and the budget will soon come up as a hurdle for the Socialists. One hopeful sign may, however, be noted. A loan is to be raised for financing expansion in Austrian power plants which will provide employment; and the National Bank has lowered the discount rate on the assumption that the first phase of stabilising the currency is over and steps must now be taken to stimulate both production and demand.

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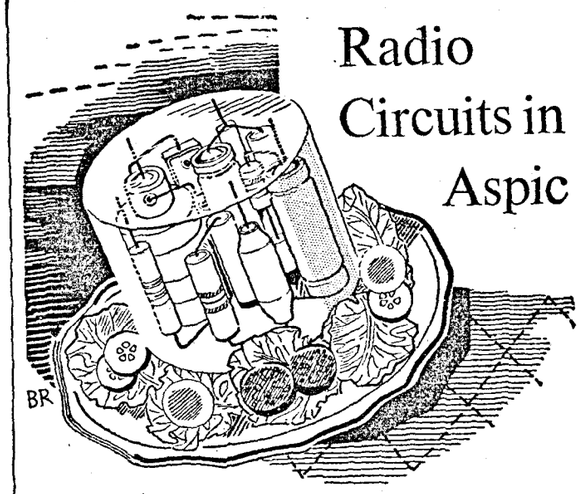
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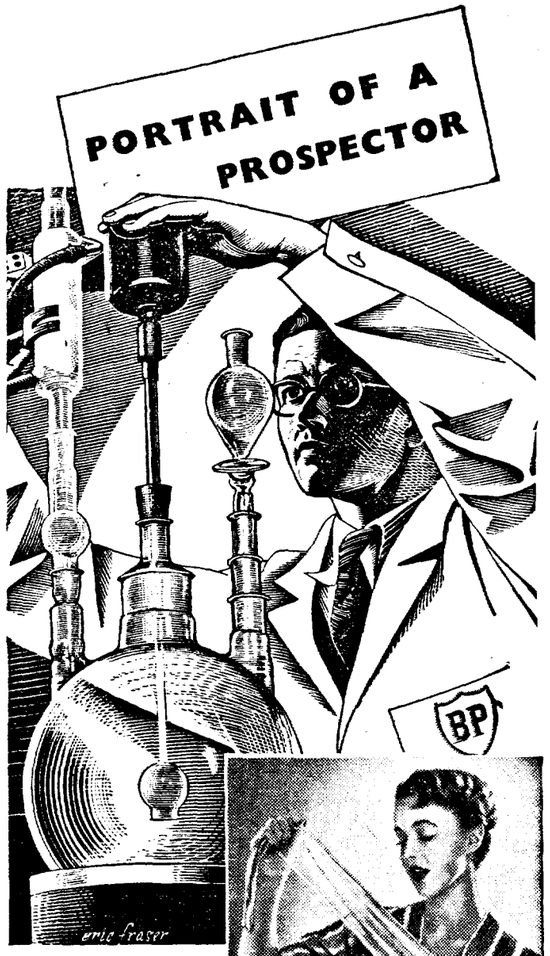
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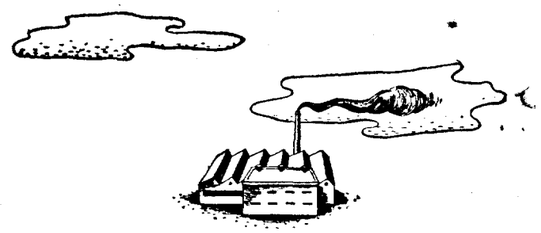
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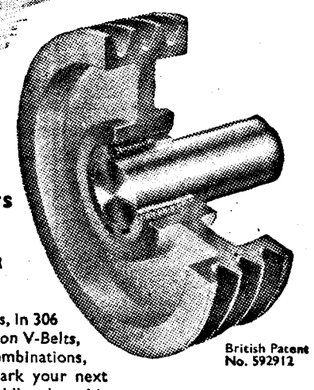
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THE BUSINESS WORLD

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Patches in Britain's Purse

THE preliminary estimates of national income in 1952, presented this week by the Central Statistical Office as Cmd. 8803, had been preceded by draft figures in last week's Economic Survey, and they will be followed by fuller—apparently unprecedently fuller—estimates later in the year. To some extent, therefore, this latest White Paper is neither fish nor fowl, although it no doubt includes its customary proportion of good red herrings. But its rather complicated tables deserve close study nonetheless, for they throw new light on what went right with the British economy last year—and they reinforce the impression that last year's recovery was somewhat (though only somewhat) more soundly based than the very brittle recoveries of 1948 and 1950.

Three main, though interrelated, lessons can be drawn from the new White Paper. The first is that—contrary to the recent claims of Labour politicians—the redistribution of real incomes towards the poorer sectors of the community seems to have been resumed last year; but that there was nevertheless some increase in personal saving. The second is that, although trading profits (as defined by the Inland Revenue) fell for the first year since the war, there was an even bigger reduction in the burden of stock finance, so that companies achieved a much more ample supply of liquid funds. These two factors together left the private sector of the economy with a surplus of receipts over immediate payments that amounted to £607 million in 1952, against a shortfall of £361 million in 1951. This big swing-round was more than sufficient to balance a deterioration in the Government sector of the economy, whose excess of payments rose from £41 million in 1951 to £437 million in 1952 (both figures excluding receipts of ERP grants and defence aid). For the economy as a whole, therefore, there was a net improvement from a savings shortfall of £402 million in 1951 to a savings surplus of £170 million in 1952.

These two figures for the economy as a whole are necessarily the exact equivalents of Britain's balance on external payments—in other words, there was an external deficit of £402 million in 1951 and an external surplus of £170 million in 1952. This simple identity between an internal surplus of savings and an external surplus on the current balance of payments is the third main lesson to be derived from the national income statistics, but it is not always an easy one to assimilate; in fact, it can fairly be labelled as a *pons asinorum* of modern economic analysis. The main function of this article will be to try to act as a guide across it.

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The redistribution of real incomes last year can be gauged only imperfectly from the White Paper. The first of the accompanying tables shows that the money value of Britain's gross national product rose by £1,111 million (or nearly 9 per cent) in 1952; since unearned income from abroad fell by £110 million net, the money value of gross domestic product rose by £1,221 million, or nearly 10 per cent. The Economic Survey had already reported, however, that the real value of Britain's gross domestic product fell by £100 million, or about 0.8 per cent, in 1952. The general level of domestic costs and prices therefore seems to have risen by rather over 10½ per cent, but the fall in prices of imports kept down the rise in prices of consumer goods; in fact, it can be estimated from Cmd. 8803 that this rise amounted to only 6½ per cent. Against this, employees' incomes rose by £587 million or just over 7 per cent, farmers' incomes rose by £30 million or just over 8 per cent, and social security payments

rose by £114 million or 12½ per cent. It is reasonable to suppose that most recipients of these three types of income enjoyed some small rise in their real earnings last year, but there were three other classes in the community who definitely lost ground. They were professional people, whose money incomes stood still; small business men, whose money incomes (as reported to the Inland Revenue) fell by £69 million, or 7½ per cent; and those relying on unearned incomes (rent, dividends and interest) whose incomes fell by £57 million, or 4½ per cent.

The rise in total personal incomes—that is, the aggregate incomes of these six classes—therefore amounted to £605 million, or 5 per cent, compared with the 6½ per cent rise in domestic prices of consumer goods (equivalent to some £638 million at the 1951 level of consumption). But, despite this rise in incomes and prices, and despite a reduction of £84 million in personal provisions for income tax and national insurance contributions, personal consumption rose by only £528 million—with expenditure on food up by £347 million, but expenditure on clothing and household goods down by £29 million and £33 million respectively. The result was that what the national income statisticians call the personal "balance"—and what ordinary people, ignoring the fact that the figure includes small businesses' depreciation allowances and other questionable items, will call personal savings—rose by £160 million to £341 million; this very tentative figure suggests that there was a jump in personal savings from 3¾d. to 6½d. out of very pound of personal income last year.

TABLE I—NATIONAL INCOME AND OUTLAY
(£ million)

Type of Income	1951	1952	Type of Expenditure	1951	1952
Wages, salaries and other employees income	8,315	8,902	Personal consumption	9,932	10,460
Farmers	360	390	Public authorities' expenditure	2,477	2,969
Professional persons	214	214	Fixed capital formation	1,862	2,000
Small traders	917	848	Stockbuilding	465	— 100
Trading profits of companies and public corporations	2,787	2,615	Exports and overseas income	3,998	4,043
Profits of other public enterprises	97	41	Imports and overseas payments	— 4,393	— 3,854
Rent	495	496			
Net income from abroad	252	142	*Less indirect taxes and subsidies*	*— 1,804*	*— 1,870*
Less stock appreciation	*— 900*	*Nil*			
Gross national income	12,537	13,648	Gross nat. product	12,537	13,648

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While the gross incomes and savings of persons were rising, the gross profits and savings of companies were falling—but by much less than the claims imposed upon them. The domestic trading profits of private enterprise companies fell by £179 million (or 7 per cent) in 1952 and their gross income from abroad fell by £19 million; this was partly offset, however, by increases of £53 million in companies' non-trading incomes and of £7 million in the profits of the nationalised industries, so that total corporate earnings fell by only £138 million, to £3,433 million. Out of this £3,433 million, companies and corporations laid aside £1,071 million (or £68 million less than in 1951) for taxation and £1,041 (or £64 million more than in 1951) for gross dividend payments and provisions; they therefore had an unexpended current balance of £1,319 million (or £134 million less than in 1951) out of which to finance new capital formation and additions to their reserves.

This unexpended current balance of £1,319 million is the nearest approximation that can be made to an estimate of gross corporate savings in 1952; it represents about 38½ per cent of gross corporate income, so that, broadly speaking, about 7s. 8d. out of every pound that goes to profits appears to be saved, compared with 6½d. out of every pound that goes to wages and other personal incomes. In addition (on the conservative assumption that the average rate of tax on dividends is the standard rate of income tax), about 9s. 2d. out of every pound of company profits goes in direct taxes, compared with about 2s. 7d. out of every pound of personal income. This is the basis for the inconvenient political fact that a transfer from wages to profits almost invariably leads to an increase in savings, which the British economy so badly needs.

It is with these figures in mind that attention now needs to be turned to Table II. In the first two columns of that table the unexpended private balances already referred to—i.e., in 1952, £341 million for persons and £1,319 million for companies and corporations—are added to the sums laid aside at the end of the year for future tax and dividends payments, and to certain capital transfers to and from the central government. When these corrections are made, it will be seen that the private sector of the economy had £1,730 million available for capital formation in 1952, compared with £2,105 million in 1951. But, in 1951—and it was here that the source of the crisis of that year lay—the private sector had had to devote the huge sum of £1,201 million to stock finance, including some £850 million that was needed merely to maintain its stocks intact as prices rose. In 1952, the national income statisticians estimate, there was no increase in stock prices and the physical volume of private stocks was allowed to fall by some £137 million. The result was that while private balances available for capital formation fell by £375 million in 1952, private capital formation itself fell by £1,343 million; and that while the private sector had had to borrow £361 million from other sectors in 1951—and those others could only be the Government or foreigners—it had £607 million over and to spare in 1952.

TABLE II—THE FINANCE OF INVESTMENT
(£ million)

	Companies, Public Corporations and Persons		Public Authorities		Whole Economy	
	1951	1952	1951	1952	1951	1952
Unexpended current balances brought into capital account	1,634	1,660	615	247	2,249	1,907
Additions to tax and dividend reserves	554	138	...	...	554	138
War damage compensation and other capital receipts	111	91	— 89	— 66	22	25
Death duties and other taxes on capital	— 194	— 159	+ 194	+ 159	...	...
Balance available for capital formation	2,105	1,730	720	340	2,825	2,070
Fixed capital formation	1,265	1,260	597	740	1,852	2,000
Stock formation	1,201	— 137	164	37	1,365	— 100
(of which: stock appreciation)	(850)*	(*Nil*)*	(50)*	(*Nil*)*	(900)	(*Nil*)
Gross capital formation	2,466	1,123	761	777	3,227	1,900
Net surplus available for lending	— 361	+ 607	— 41	— 437	— 402	+ 170

* Unofficial estimates.

If public authorities had managed to keep a tight rein on their own expenditure, Britain's balance with the outside world would have benefited by the full extent of this turn-round of £968 million (from a shortfall of £361 million to a surplus of £607 million) in the capital account of the private sector. Unfortunately, however, the expenditure of central and local government authorities continued to rise. The result, as the third and fourth columns of Table II show, was that the balances available to public authorities for gross capital formation fell by £380 million, to £340 million, in 1952. Simultaneously, the increase in housebuilding and other forms of fixed capital formation by the public sector swamped the economies on Government stockpiling; in consequence, the public sector, which had added £41 million to the private sector's net deficit of £361 million in 1951, absorbed £437 million of the private sector's net surplus of £607 million in 1952. Therein, in bald summary, lies the whole story of Britain's progress from external deficit in 1951 to external surplus in 1952.

In one respect, at any rate, the story has an unaccustomed and healthy ring. In the three years from 1948 through 1950, only the public sector had had a surplus of domestic savings over domestic investments; in 1948 and 1949 this surplus was barely sufficient to offset the shortfall in private capital accounts, though in 1950 it did so with a balance of payments surplus of some £250 million to spare. In 1951 the public sector relapsed suddenly into deficit, and the private sector widened its deficit at the same time. In 1952 the public sector's deficit deteriorated again, but the private sector swung round into its first postwar surplus of savings over investment.

This strengthening of private capital accounts brings with it an opportunity, and a challenge, for the future of British economic policy. It is now universally recognised that if Britain is to maintain its position in a competitive world it must increase its stock of productive capital equipment; the £1,260 million of fixed capital formation in the private sector of the economy in 1952 probably did little more than provide adequate replacements for the machinery that was currently wearing out. But three problems have always lain in the way of an increase in productive investment. One problem has been the shortage of investable funds in private hands. That problem was notably—though perhaps only temporarily—eased in 1952; the private sector had funds on hand to finance £1,867 million of fixed capital formation if it had wanted to. The second problem, which has only recently come to the fore, has been the blunting of the incentive for private investment under conditions of crippling taxation. The third problem has been that if private investment is to rise, then public savings must increase or public investment must fall—unless the economy is to relapse into a deficit on the balance of payments again. It is not going to be easy for Mr Butler to frame a budget next week that will bring solutions to each of these three problems. But all the indications are that he is going to try.

The External Surplus

BRITAIN'S march back to external solvency has been further documented by three separate Government papers since the Easter holiday. The first of these, discussed in the preceding article, was the preliminary national income White Paper for 1952. The second was the usual monthly communique on the state of the gold reserves. This revealed that the reserves rose by another $63 million in March, following increases of $125 million in February and $132 million in January. As $29 million of the increase in March was due to receipts of defence aid and $19 million represented a transfer of gold from EPU (in part settlement of the sterling area's surplus with Western Europe in February), the sterling area's gold and dollar surplus with other countries—mostly those on the North American continent—appears to have fallen from $74 million to $15 million in the month. This fall, however, was partly due to seasonal influences—there were, for example, substantial British payments for American tobacco last month—and it need not be taken too tragically. It is true the rise in the gold reserves must be expected to slow down from now on; for one thing the mid-April transfer of gold from EPU—in part settlement of the sterling area's surplus of £7½ million with Western Europe in March—will be only $11 million. But the trend of the reserves should continue to be upward nevertheless.

The third new document is the balance of payments White Paper for the second half of 1952 (Cmd. 8808). This paints in the foreground to last year's recovery from an external deficit in 1951 to an external surplus in 1952, whereas the national income paper had sketched in the background. Like Cmd. 8803, however, it is a rather forbiddingly technical paper, and one that can give rise to confusion at first sight.

A prime source of confusion is that the balance of payments White Paper talks throughout of two different external balances—the ordinary balance (a deficit of £402 million in 1951 and a surplus of £170 million in 1952) and the balance including defence aid (a deficit of £398 million in 1951 and a surplus of £291 million in 1952). The case, such as it is, for including aid rests on the fact that the strict rules of eligibility that have been evolved under the Mutual Aid Programme ensure that no imports into Britain rank for such assistance unless they are directly connected with the defence programme. These imports appear in the statistics of visible trade. Whether the aid counterpart should be included on the receipts side of the balance of payments depends on whether the imports in question would have been made had American aid not been forthcoming—or, alternatively, whether, if this aid had not been forthcoming, far greater restrictions would have been put on other imports from the dollar world. The true answer may lie somewhere between the figures inclusive and exclusive of aid. But the British people would be unwise to regard its defence programme as something that would be dispensable if the Americans did not pay for part of it; and if one of the two measures has to be chosen, the balance excluding defence aid certainly seems the one to pick.

Whatever criterion is adopted, however, the reality of a remarkable improvement remains, and the main interest in Cmd. 8808 is the light that it throws on the sources of that improvement and on the likelihood that it will be maintained. The principal factor in the improvement is still shown to lie in the favourable turn in the terms of trade. Price changes appear to have been responsible for something like one half of the improvement of £657 million in the visible trade balance, and therefore of more than half of the total turn-round of £572 million (including invisibles, which deteriorated by £85 million). Although this improvement in the terms of trade has shown signs of slowing down in the last two months, it may gather momentum again if commodity prices continue to flag before the protestations of peace from the East. This is therefore an aspect of the situation from which some encouragement can be drawn for the year 1953—provided of course that the weakening of commodity prices does not deteriorate into a world-wide trading recession.

The next most important item in the improvement of the balance of payments last year was the fall in the volume of imports. The Economic Survey suggested that about three-quarters of the reduction of £423 million in the value of import arrivals in 1952 reflected a fall in volume and that one-quarter reflected a fall in prices. The data given in the balance of payments White Paper, and summarised in Table I, show more clearly than could previously be ascertained where the impact of last year's import restrictions fell. Imports from the overseas sterling area were substantially unchanged in value; the total for 1952 was £1,236 million or only £40 million less than 1951—a modest fall that was more than accounted for by price declines. The axe, therefore, fell wholly on imports from non-sterling countries. Imports from Western Europe fell by £186 million, those from the dollar area fell by £137 million, those from the rest of the western hemisphere by £94 million, and those from other non-sterling countries—a group that covers

TABLE I
BRITAIN'S REGIONAL BALANCE OF PAYMENTS
(£ MILLION)

	Dollar area		Other Western Hemisphere		OEEC countries		Other non-sterling countries		Overseas sterling area		Total*	
	1951	1952	1951	1952	1951	1952	1951	1952	1951	1952	1951	1952
Visibles	− 342	− 189	− 68	+ 14	− 215	+ 8	− 122	− 11	− 1	+ 87	− 748	− 91
Invisibles	− 88	− 94	+ 75	+ 77	+ 33	− 2	+ 31	+ 24	+ 298	+ 262	+ 346	+ 261
Total current balance	**− 430**	**− 283**	**+ 7**	**+ 91**	**− 177**	**+ 6**	**− 91**	**+ 13**	**+ 297**	**+ 349**	**− 402**	**+ 170**
Defence aid	+ 4	+ 121	...	...	...	...	...	...	...	...	+ 4	+ 121
Financed by												
ERP Grants	− 54	...	...	...	...	...	...	...	...	...	− 54	...
Inter-area transfers‡	− 123	+ 38	+ 33	+ 37	+ 39	− 85	− 97	− 118	+ 172	+ 135	...	...
Overseas investments	54	− 29	− 14†	3	82	32	27	8	182	93	314†	109
Repayment of sterling liabilities	41	4	− 12	51	− 298	59	− 21	123	− 57	121	− 336	357
Change in gold reserves	− 344	− 175	...	...	...	...	...	...	...	...	− 344	− 175

* Including non-territorial organisations. † Including revaluation payments of £11 million by Britain in this year. ‡ In this section a plus sign indicates a receipt by the area concerned.

the Middle and Far East, Eastern Europe and Spain—fell by £112 million. Imports from the worst hit of these geographical groups, namely the OEEC countries, should before long begin to respond to the relaxations that were recently announced by Mr Butler in Paris, but there will not necessarily be any major upsurge in imports from other countries.

A third important factor in the improvement in the balance of payments last year was a change in the timing of payments to and from the sterling area. The Economic Survey had already pointed out that while the monthly Trade and Navigation Accounts had shown an improvement of £490 million in visible trade between 1951 and 1952, the comparable improvement in the balance of payments figures was no less than £657 million. This difference of nearly £250 million was largely explained by the difference in timing of payments. The new White Paper gives a great deal of new information on the vexed problem of reconciling the trade and navigation accounts with the balance of payments figures. The problem is a far more complicated one than had been implied by earlier facile deductions of some 10 or 12 per cent from the value of imports, to allow for the costs of insurance and freight that are included in the trade and navigation figures. For one thing, stocks bought and accumulated overseas enter the balance of payments on purchase and not on import; for another, the trade and navigation figures exclude trade in diamonds, silver and second-hand ships but include trade with the Channel Islands and landings by British whale fisheries, which have no relevance to the balance of payments calculations.

The difference in timing of payments is of considerable importance when the level or the geographical distribution of trade is changing. The balance of payments figures for any given year or half-year include some imports that have been paid for but have not yet arrived, but exclude some exports that have been shipped but not yet paid for. The result is that an increase or decrease in imports shows sooner, and an increase or decrease in exports shows later, in the balance of payments figures than in the trade and navigation accounts. This had a very marked effect on the figures for 1952, when imports were declining. In 1951, when the trade and navigation accounts showed imports at £3,904 million, the actual item appearing in the balance of payments estimates—i.e., after allowing for the cost of freight, insurance, differences in coverage and imports paid for but not yet shipped—was £3,496 million. In 1952 when the c.i.f. value of import arrivals (as listed in the trade and navigation accounts) dropped by £423 million to £3,481 million, the value of import payments (as shown in the balance of payment figures) dropped by £569 million to £2,927 million. This widening of the discrepancy was largely due to the timing of payments which, as the White Paper points out, is influenced among other things by "changes in credit policy, trade practices, or sentiment about exchange rates." There is no doubt that dearer money in London, the restriction on overseas acceptance credits and the growth of confidence in sterling brought this country a considerable windfall in 1952; it is a windfall that would swiftly disappear if the hard won confidence in sterling should be undermined.

The details of the sterling area's gold and dollar accounts in 1952 are shown in Table II. They record a striking improvement from the disastrous outcome of 1951, although it was admittedly one that occurred almost wholly in the United Kingdom's own direct accounts with the dollar area (including capital transactions). This bare analysis, however, is somewhat misleading; it will be seen from the table that almost all sections of the account were in a healthier state in the second half of 1952 than in the first half—except for the direct dollar balance of the colonies (which, however, have maintained a persistent dollar surplus despite the fall in raw material prices). The net result, as the

TABLE II—GOLD AND DOLLAR ACCOUNTS
($ million)

	1951	1952		Year
		Jan. to June	July to Dec.	
Current balance with dollar area				
United Kingdom	−1205	− 562	− 230	− 792
Colonies	+ 462	+ 213	+ 163	+ 376
Other sterling area	− 197	− 313	+ 29	− 284
Gold payments to EPU and other non-dollar countries	− 161	− 333	− 66	− 399
Sterling area gold sales	+ 218	+ 145	+ 56	+ 201
Current deficit	− 883	− 850	− 48	− 898
Financed by				
ERP	+ 199	Nil	Nil	Nil
Defence aid	+ 11	+ 162	+ 176	+ 338
Capital transactions	− 292	+ 38	+ 33	+ 71
Change in gold reserves	− 965	− 650	+ 161	− 489

TABLE III—GOLD AND DOLLAR RESERVES
June, 1951—March, 1953 ($ million)

	Gold payments (−) or receipts (+)			American aid	Change in reserves	Reserves at end of period
	EPU settlements†	Purchase of "arbitrage" commodities	Other gold and dollar balances			
June, 1951	...	...	...	...	...	3,867*
July-Dec., 1951	−200	...	−1378	+ 46	−1532	2,335
Jan.-June, 1952	−362	...	−490	+202	− 650	1,685
July-Dec., 1952	+ 86	−170	+200	+226	+161‡	1,846
Jan., 1953	+ 58	...	+ 30	+ 44	+132	1,978
Feb., 1953	+ 18	...	+ 74	+ 33	+125	2,103
Mar., 1953	+ 19	...	+ 15	+ 29	+ 63	2,166

* Highest level of the reserves since 1945. † EPU settlements in any one month depend on the surplus or deficit with Europe in the preceding month. ‡ After taking account of the payment of $181 million on December 31st for the service of the United States and Canadian lines of credit, the United States lend-lease loan and the ERP loan.

table shows, was that the central gold and dollar reserves, which had fallen by $965 million in 1951 and by $650 million in the first half of 1952, rose by $161 million in the second half of the year.

In 1952 as a whole, therefore, some £175 million was drawn out of the reserves. This draft, taken in conjunction with the surplus of £170 million in the United Kingdom's balance of payments and the receipt of £121 million of defence aid, made available a sum of £466 million for net overseas investment and financing. Of this total, £357 million was used in repayment of the sterling balances. It is notable, however, that the reduction in these balances amounted to £344 million in the first half of the year and only £13 million in the second half. As will be seen from Table IV, the sterling liabilities to all countries, but excluding those of non-territorial organisations and excluding also British official holdings of non-dollar currencies, fell from their peak postwar total of £3,807 million to £3,422 million during 1952. The biggest drop occurred in the sterling liabilities to non-sterling countries, reflecting the new scarcity of sterling in Japan, Latin America and Western Europe. The sterling balances of the colonies continued to increase, and at the end of 1952 were nearly twice the already adequate figure at which they stood at the end of 1948. The rise in these colonial balances was, however, more than neutralised by the fall in the balances held by the dominions, a contrast that provides further evidence of the now familiar phenomenon of the undeveloped countries of the Commonwealth helping to finance the more highly developed—in fact, the Colombo Plan in reverse.

The net repayment of sterling liabilities left £109 million for improving the longer term capital position of the United Kingdom, *vis-à-vis* the rest of the world. Of that total, £93 million was invested in the oversea's sterling area—about half the amount that was invested there in 1951. But whereas in 1951 Britain had been borrowing on short term rather more than it lent on longer term, last year this smaller investment went hand-in-hand with a repayment of short-term liabilities.

TABLE IV—THE STERLING BALANCES
(£ million)

	Dec. 31, 1949	Dec. 31, 1950	June 30, 1951	Dec. 31, 1951	June 30, 1952	Dec. 31, 1952
Held by non-sterling area countries						
Dollar area	31	79	73	38	18	34
Other Western Hemisphere	80	45	55	57	8	6
OEEC countries	439	395	422	409	349	321
Other non-sterling countries	514	492	518	514	466	393
Total—non-sterling area countries	1,064	1,011	1,068	1,018	842	754
Held by sterling area countries						
Colonies	583	754	908	967	1,042	1,065
Other sterling area countries	1,770	1,978	2,192	1,822	1,513	1,603
Total—sterling area countries	2,353	2,732	3,100	2,789	2,555	2,668
Total Sterling liabilities to all countries	**3,417**	**3,743**	**4,168**	**3,807**	**3,397**	**3,422**

Now that those short-term liabilities are down to a more reasonable level, any future United Kingdom surpluses may be more likely to be invested in productive—and profitable—long-term development schemes. But Britain will need to secure and strengthen this surplus before such schemes can hatch.

The Building Industry—III

Future for Building

IN so traditional an industry as building, it is reasonable to expect that improvements and reorganisation can best be sought along lines upon which successful development has taken place in the past. Enough has been said in previous articles to suggest that there are today encouraging portents, if no short cuts.

The factory-built house, almost wholly prefabricated, and put together on the site in a few hours by trained mechanics, is not destined to supersede traditional methods and so to slice through the difficulties caused by site disorganisation, low labour productivity, and the inefficiencies of management evinced by a multiplicity of small firms. This house has been achieved, but so far only for export, or to fill gaps left by other methods. It is useless to make comparisons with America, for American prefabrication is based on an abundance of the most versatile building material—timber. British building is geared mainly to bricks, with a gradual increase in concrete construction, which now represents perhaps 10-15 per cent of house-building.

On the other hand, the trend towards pre-fabrication of components is well-established, and so is its corollary—partial prefabrication of units such as roofs and floors on the site in temporary workshops. But these technical advantages cannot be realised without organisation; planning must move back from the assembly point into the drawing office and pre-planning department. To carry pre-fabrication further, two things are necessary: simplification and standardisation in the design of houses, and some form of modular co-ordination of the dimensions of building materials such as tiles and plasterboards, and of components (windows, joinery and the like). Even craft building has never been entirely unstandardised, for dimensions have been based on the brick, the primary pre-fabricated unit. But to use effectively all the materials at the industry's disposal, and especially to increase the pre-fabrication of interiors, it is necessary to standardise in a far greater degree. So far, such standardisation has eluded the materials and components producers, in spite of the efforts of the British Standards Institution. Discussions on modular co-ordination have beaten the air for years. As the Bailey Committee on quicker finishing of interiors pointed out, the right end from which to tackle this problem is the ordering end. If local authorities within reason, were to standardise house designs and notably interiors, the supply side would conform naturally. There never was so good an opportunity to secure this revolutionary economy as in the last six years, when house design was at the discretion of 1,470 local authorities in England and Wales, and 229 in Scotland. If the larger among these had worked as intelligently and imaginatively in concert over houses as they later did over schools, immense economies would now be in sight. In fact, house designs were if anything multiplied in terms of prewar "spec" building practice. The planners simply did not plan.

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Pre-fabrication implies, of course, a considerable degree of mechanisation before the house reaches the site stage; the next problem is to mechanise the process of assembling and joining and bonding the sub-assemblies on site. In the past, the principal machine for this purpose, which did all the handling of materials, was the labourer. Heavy unskilled labour is now uneconomic in all industries. Yet 1,200 tons of material in a house today is often all moved by hand—unloaded, stacked, transported, and hoisted to the craftsman to fit into place. The machinery cost in a house has been estimated at £30 compared with a labour cost of £400. The use of the tower crane has been shown by the Ministry of Works to reduce the average number of manhours per house from 2,800 to 1,000, and to save £100 on the total cost. The unskilled labour is replaced by a skilled crane team; the craftsman works as before, only faster and better paid.

Notwithstanding its appearance, however, the tower crane is no *deus ex machina*. It is but one mechanical handling device among many. Indeed, the crane's present design is far from perfect: it needs to be lighter, cheaper and more manœuvrable. But tests have shown that, given full employment, it could be made to pay for its keep on runs of 14 houses—a gratifyingly small batch that accords well with the industry's practical problem. But the replacement of unskilled labour by machinery of every kind demands precisely the same changes as does the introduction of standardised components: better site management. The use of machines must be treated with the same skill in phasing operations as was the marshalling of sub-contractors before the war. There is little sign that any but the largest firms appreciate this need. Many builders expect expensive machinery to solve problems and pay for itself by being placed on the site. The result is that it proves uneconomic and confirms builders in their prejudice that, in building, traditional methods are best and least expensive in the long run.

Nothing could be further from the truth than this prejudice. For whether the industry likes it or not unskilled labour is certain to become expensive and scarce under conditions of full employment, alternative factory employment, educational opportunity, and rising wages. The danger is that the retention of outdated ideas, by preventing wages from rising fast enough in the industry, will imperil its supply of craftsmen, which would be an unmitigated disaster. Already its high costs and general disorganisation have forced it to accept a much poorer type of craftsman. To remain attractive to apprentices, it must become (as in America) a high-wage, mechanised occupation.

This in turn implies considerable changes in capital structure and management. The very small firm cannot make an economic use of heavy equipment. The medium-sized firm may be able to deploy machinery hired from firms of machinery hirers, which are coming into existence and represent, probably, a better solution than co-operative ownership or a Government-run pool of equipment. But such developments must logically give a competitive advantage to larger firms—firms employing from 200 to 500 men—and it is for these to evolve means of producing houses economically in small batches as well as on large estates. It will encourage the specialist sub-contractor; even now the sub-contractors are often far more substantial firms than the main contractor, or "site agent." Only large firms, moreover, can employ site-managers and planning staff—that greater ratio of non-productive to productive labour in American building that impressed the Anglo-American productivity team. The promoted bricklayer often made a good foreman in the days when the materials used on site never went beyond his experience. Today the shortage of technicians able to deal with the growing array of non-traditional materials and with the problems of large prefabricated sub-assemblies is an understandable reason for the industry's conservatism.

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A multitude of tiny firms cannot sustain the research required into new materials and methods. A large part of the Building Research Station's time and finance is consumed in answering queries and making routine tests for the industry. Only a few large firms have research departments of their own capable even of quality control, in striking contrast to shipbuilding or aircraft construction. The small and medium-sized builder, partly from lack of capital, partly from ignorance, is slow to take up methods successfully demonstrated by large contractors, and he often suspects official ideas. He is, traditionally, under-capitalised, for building is

an activity that requires a relatively small permanent outlay, and a large working capital, which can be obtained by progress payments, advances from banks and especially builders' merchants, whose position has notably and undesirably strengthened since before the war. The general lack of competition has sapped the managerial incentive of the builder, as it has the pride and diligence of his workpeople.

Reorganisation—involving a return to higher productivity and pre-planning that can take advantage of technological advances—depends on the restoration of competition to the whole industry: not only to the builder as such, who commonly controls the expenditure of not more than 30 to 45 per cent of the total cost of a house, but also to the materials suppliers and merchants. The Monopolies Commission may soon take a hand in the dissolution of rings and zoning agreements that keep up the prices of materials. But it can also usefully look at the agreements that are believed to affect the relations of the big contractors. Where such builders really compete to some extent on tenders, quotations for houses have been known (in 1950) to drop from £1,340 to £1,270. Nor is it known just how much competitive certain non-traditional types may be with bricks and mortar. When work is to be had for the asking, and a tender of £50 below the price of traditional building will secure the contract, why lower prices further? There is reason to believe that prices for non-traditional methods could in fact be brought much lower.

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Competition has begun to return, although so long as the housing target is kept high, and housing is subsidised so heavily, it would be misleading to suppose that it will return (especially in the supply of materials) in its prewar effectiveness. But the tailing off of war-damage, and deflation in the rest of the economy, has had an impact on building. Sub-contracting of labour alone has returned, and some experienced builders, working largely on prewar lines, have achieved a notable increase in productivity. But local authority control remains a dead hand, and still often cheats the efficient firm of its proper reward. It lacks assurance of continuity, and therefore the power to build an efficient labour supply. The annual labour turnover of building operatives is still 76 per cent, compared with the average for manufacturing of 30 per cent. It was hoped that permission to build houses under private enterprise would assure efficient builders continuity between one local authority contract and the next; but this concession has partly failed in its object. When rents for local authority houses represent a capital subsidy per house of £700, only the keenest home-owner will buy freehold. Moreover, most of the eligible sites have been reserved in advance by local authorities. Until this handicap is removed, competition cannot be expected to bring mechanisation fully into play with better management and larger building organisations.

The unions are often blamed for the inefficiency of postwar building. Much of this criticism is misplaced; full employment and disorganisation has demoralised labour more than union policy. The unions still acquiesce in rigidities that have lowered productivity and hence threaten the true interests of their members, out of their dislike of sub-contracting for labour and their desire to "decasualise" building. They have preferred a situation in which bad craftsmen and idle labourers have found work, even if it meant lowering standards all round. They have gingerly supported bonus schemes, well knowing that these were unlikely to have much effect. They favour the engineering contractor as an employer, on the grounds that he alone can ensure continuity of employment and "factory amenities"—regardless of the fact that the industry can never be run by its largest units. They need to reconsider the conditions which would bring building workers to an equality with workers in manufacturing—high wages and regularity of employment imply high productivity, mechanisation, "inter-availability" of labour to encourage new methods, and better management. As it is, building workers, in defiance of union policy, are returning to the sub-contracting methods that ensure the members of a good team £20-£22 a week, though, at the moment, without the need to equal prewar output.

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Building performance is perfectly capable of rapid improvement, both by the return to competition, and the use of proved technological advances. The divergence between the public works section at one wing, and the small "general builder" at the other may remain. All stages of an industrial revolution will be represented simultaneously. For this reason it may, for example, remain cheaper to buy a new house than to rebuild an old one. The householder may find it cheaper to do his own interior decoration with specially retailed paints than to call in the high-cost small builder and decorator. Moreover, building as a whole is likely to remain a relatively high-cost industry because the craftsman will remain indispensable; no rosy technological dreams of mass-producing housing are likely to come true.

But that is no reason to tolerate the continuance of housing costs at an absurdly inflated level. It is hard to be precise about the degree of that inflation, for house-building costs have never been thoroughly and impartially examined. But it is highly probable that if contracts became hard enough to get, and the need to keep costly equipment at work grew sufficiently keen, the large firms would find means to reduce costs fully 25 per cent in quite a short space of time. Smaller firms would suffer badly until they found it possible to compete on those terms—which in time they would. Only a shake-out on this scale, involving the whole industry, is likely, over a period, to bring building costs down by the third or so that existing aids to higher productivity make possible.

Business Notes

Flutters from the Dovecote

THE cooing doves from the Kremlin dovecote have this week set the keynotes for all the free markets of the free world. But the shadows cast by this unfamiliar flight—extending at one extreme to the United Nations assembly and at the other to Panmunjom—have left both markets and business opinion in a patchwork of light and shade. It was in New York that incredulity and scepticism first abated sufficiently to make this spectacle influential upon business psychology. Wall Street and some international commodities became sensitive to the possibilities in the last week of March, and induced a corresponding weakening of equity prices in London on the eve of the holiday. Then, during the holiday week-end itself, came the sudden revival of hopes of peace in Korea, and on Monday last a pause on Wall Street gave place to a renewed fall, as speculation about the possible reaction upon the American business scene became more widespread. The Dow Jones index of American industrials dropped on that day by 6 points, to 274.10, compared with 287.98 as recently as March 25th and with the 1952-53 peak of 293.79 (reached early this year).

London, therefore, returned to business with the certainty that industrial and commodity equities would be further marked down, and the probability that the rise in gilt-edged would go still further. In the event, the precautionary adjustments in stock markets were intensified in response to some further sharp declines in rubber, tin and other base metals. The industrial share index of the *Financial Times*, which had fallen from 124.6 to 121.7 in the pre-holiday week, dropped further, to 120.6, whilst leading shares in the armament, commodity and oil groups were flat. Gilt-edged, by contrast, were quietly firmer: this market has risen steadily, though slowly, without pause since March 26th. The moderateness of its advance this week fairly reflects the caution with which the wider international hopes are viewed in the City; yet the gambling fraternity found the prospect sufficiently alluring to justify a flutter in "Iron Curtain" bonds. These adventurers even sought out the "pre-revolution" defaulted Russian 5 per cent loan, and saddled it with a 300 or 400 per cent appreciation—from 1 per cent of parity to 4 or 5 per cent. Chinese 5 per cents 1912 rose from 11 to 25 and Polish 4½ per cents 1927 from 13½ to 22 (the lower prices in each case being those of March 27th).

The thought that underlies the more important of these adjustments is, of course, the possibility that moves towards peace in Korea might, for psychological reasons, dampen down the American boom activity even if they do not produce any early change in defence outlays; and nobody in London needs any reminder of the speed with which any slackening of America's demand for commodities could revive difficulties for the sterling area. But both the steadier tone of commodities on Wednesday (and, except for tin, on Thursday too) and the recovery of sterling after its very minor loss of strength reflect a spreading realisation that the force of an outbreak of Korean peace upon commodities is not to be judged from the force of the 1950 outbreak of war. Sterling is still very strong.

Russian Bear in Commodities

IN spite of sharp falls in the prices of tin, rubber, lead and zinc during the past fortnight, commodity prices in general, have tottered rather than tumbled. Admittedly, a bearishness—of Russian origin—has spread widely over the commodity markets, and business has been repressed; but in many commodities the actual fall in prices has been slight. For example, pepper and copra—which are usually highly sensitive to international developments—have declined only fractionally, and raw wool prices have continued to rise. No doubt prospects of reduced crops this year have provided effective props to the first two of these commodities; the third is buoyed up by increasing world demand. In the event, *The Economist* indicator of commodity prices (July, 1949-June, 1950=100) has declined by 4 points since March 24th, to 119.

As was to be expected, metals have shown the sharpest falls, but tin had already to contend with its own specific sources of weakness. Tin prices, which only three weeks ago were about £350 above the pre-Korean level, had proved vulnerable to the news at the end of March that the American Government agency—which in the past year

HOW COMMODITIES HAVE MOVED

Commodity	Unit	Pre-Korea (1950 mid-June)	Subsequent peak in first half 1951	1953			
				March		April	
				24	31	7	8
Copper, N.Y., spot	cents per lb	22·5	36·15*	34·91	34·91	34·91	31·075
Lead, London	£ per ton	96	180	93½	87½	86⅜	86¼
Zinc, London	"	127½	190	80⅜	77⅛	74⅛	75⅜
Tin, London, spot	"	602½	1,550	942½	930	832½	865
Wool, 64s	d. per lb.	140	318	152	n.s.	...	...
Cotton, N.Y., spot	cents per lb	34·47	46·06	34·00	33·85	33·80	33·80
Jute, Dundee	£ per ton	116½	229	76	76	76	76
Cocoa, Accra	cents per lb	29·75	38·57	32·62	32·75	32·50	32·75
Wheat, Chicago f't'rs	cents per lb	210⅞	267½ †	229⅜	224⅞	223⅞	224⅜
Copra, Philippines	$ per ton	185	325	260	260	255	255
Shellac, Lond. futures	£ per ton	333½	416½	158½	163½	161½	161½
Rubber, Lond., spot	d. per lb	23½	72	21⅜	20⅛	19⅜	19⅞

* Mid-June, 1952. † November, 1951.

has absorbed most of the world's surplus of tin—is to cease buying some time next year. The fear that rearmament demand might soon dry up was superimposed on this weakness, and the London spot price of tin dropped by about £100 a ton in the first week of April; on Tuesday last it fell by no less than £70. It recovered by £32 a ton on the following day but fell back by £25 to £840 a ton on Thursday. It should, however, be noted that, owing to the shortage of stocks in London, the fall in the spot price has been much less than the corresponding drop in forward prices. Lead and zinc prices, which were already considerably below their pre-Korean levels, have not fallen so steeply as tin. The London spot price of lead declined steadily from £94½ a ton on March 25th to £86⅝ on April 8th, but it recovered to £86⅞ on the following day. Zinc, though it has more defence uses than lead, declined more slowly at the start: the London spot price dropped from £80¼ a ton on March 24th to £74⅛ on April 7th, but then recovered to £76 a ton. Copper is not at present dealt in on the London market, but the so-called world export price (the average price of imported copper sold in New York), which had been unchanged for several months, remained unaltered at 34.91 cents a lb, until April 8th, when it dropped to 31.075 cents a lb.

Outside the metals group, the greatest decline in the past fortnight has been shown by rubber. But rubber prices had been falling for some time, owing to the slackening of American buying. The improvement in the international situation has merely accentuated this decline. On Wednesday the London spot price reached 1s. 7⅞d. a lb—its lowest level since April, 1950. Natural rubber is now slightly cheaper than American synthetic rubber (GR-S).

Last Year's Retail Sales

THE Board of Trade has published its analysis of last year's retail trade in the twelve months from February, 1952, to January, 1953. Taking the year as a whole, food sales rose in value by 12 per cent, while those of other goods showed no change. The year could best be described as a period of adjustment after the frantic swings from boom to slump that took place in the 1951-52 trading year preceding it, and the Board of Trade refers to recovery as taking place "towards the end of 1952 after a long period of uncertainty." It was also a year of changing prices. Experience suggests that although the value of food sales rose 12 per cent last year and by 10 per cent the year before, the volume of those sales did not change much. The increase in their value came from higher prices, especially since the reduction in the subsidies last year.

Sales of clothing and shoes suffered their first check since the war. Year after year, an increase in their value has been recorded but last year the index (1950=100) remained unaltered at 110. Prices came down sharply during the year, but the Board of Trade nevertheless estimates that taking the year as a whole, they were on average still slightly higher than in 1951, indicating a fall in the volume of sales; the fall in output of shoes, clothing and textiles tends to confirm this deduction. But the Board of Trade's method of measuring retail price levels often shows a much smaller movement up or down than those actually observed in the trade, and it is possible that in this case the extent of the fall in prices that took place in the past year has been under-estimated, and with it the revival in the volume of sales in the autumn.

Sales of furniture fell during the year, from 106 to 100 for large retailers and from 107 to 97 for the small men; no change in price is indicated, but a slight reduction did take place during the year. Sales of hardware held their ground. The index for the big shops rose from 110 to 112, while that of the small ones remained unchanged at 109; since prices had risen here, this again indicates a probable decline in volume. The small shops, however, recorded larger sales of radios and electrical goods, the index rising from 126 to 133; the increase in the television transmission area and the high unit cost of receivers may have played some part here. Sales of chemists goods continued their inexorable rise, the index moving from 113 to 120 for the big shops and from 102 to 103 for the smaller ones. Sales of jewellery fell from 107 to 101 but those of books and toys rose. So did sales of petrol, cycles and car accessories—the biggest rise of the year with the exception of food—from 118 to 128, and probably the only one that gives a true measure of an increase in turnover.

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The picture that accumulates is one of a much lower level of trading than that to which retailers had been accustomed in previous years. But the sharpness of the recession was heightened for the manufacturers of consumer goods by the fact that retailers chose this period to run down their stocks. At the end of the year, those of food and perishables showed no change on 1951, having risen 21 per cent the year before. But stocks of other goods had fallen by 9 per cent, having risen 10 per cent the year before. The fall is particularly marked in clothing, where a decline of up to 25 per cent is recorded for men's and boy's clothes, and smallest in chemists' goods (1 per cent) and hardware and electrical equipment (4 per cent). In other respects, however, retailers' figures for trade in January were, with the exception of clothing, higher than twelve months before. The combined index stood at 112 compared with 104 twelve months ago. Since lower prices are fully reflected in these sales, 1952 may prove to have been a temporary check only in the steady upward curve.

Wheat in the Balance

TWO months of negotiation among representatives of forty-six wheat exporting and importing countries in Washington have failed to produce a new agreement to replace or prolong the existing four-year International Wheat Agreement that terminates at the end of next July. The length of the discussions and the information which has seeped out of the conference make it plain that most of the countries are not averse to the principle of a price stabilising agreement; they differ only, or mainly, on the price. From the beginning there was a natural lining up of importers against the exporters on this issue: the importers offered a maximum price of $1.75 a bushel, compared with

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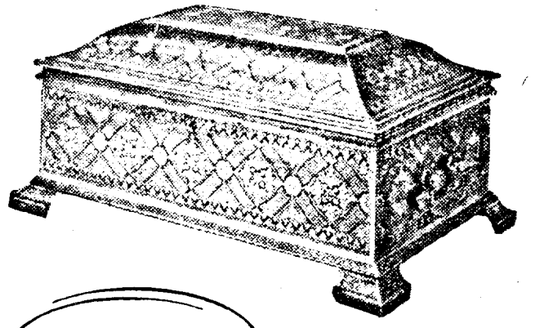
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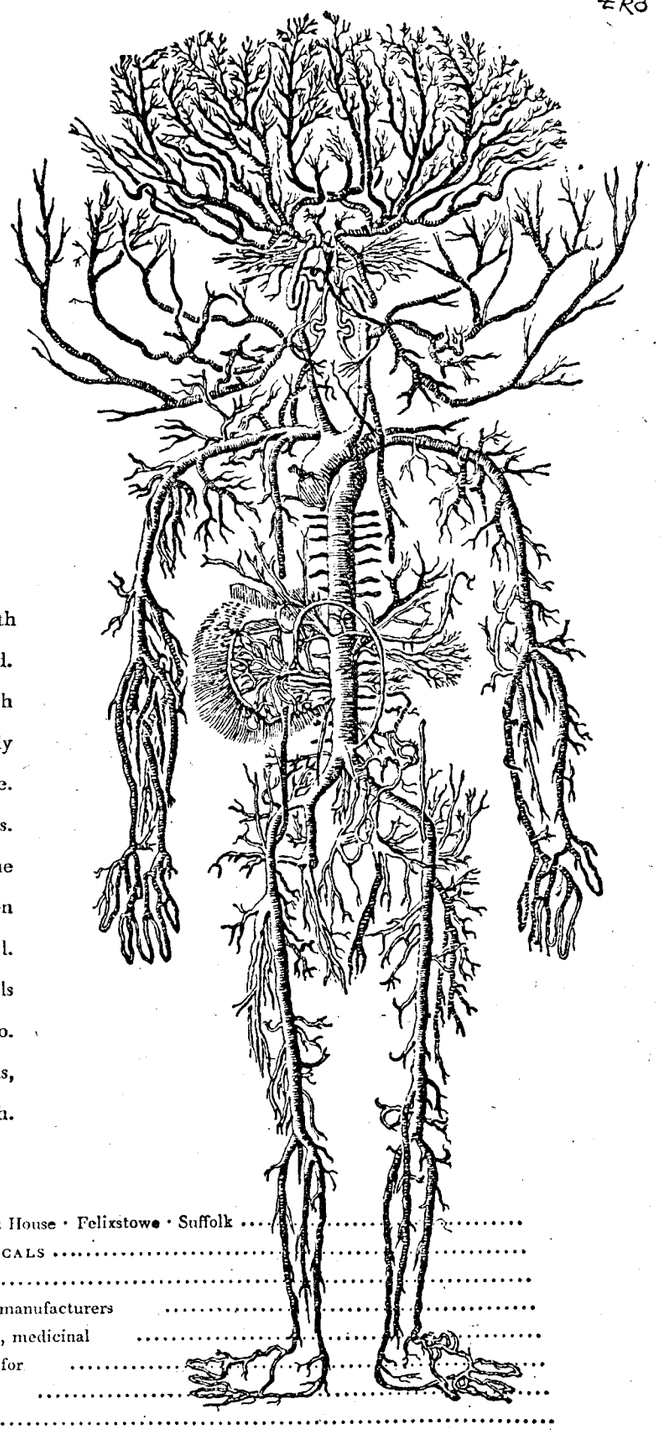


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the present maximum agreement price of $1.86, and the exporters asked for $2.25. Both sides have since improved their offers; importers are resolved not to pay more than $2 a bushel, but the United States seems unwilling to sell for less than $2.10, though Canada, while naturally eager to get the best price it can, seems willing to compromise.

Importers should be prepared to back their own logic and pay no more than $2. Any higher price would ignore the improved world outlook for wheat and grain production; it would fail to recognise the advantage to the growers of assured sales at a fixed price; it would ignore the increased productivity of American wheat growing; and it would aid and abet a price support system in the United States that has promoted uneconomic wheat production at the cost of the American taxpayer. If producing countries are still sceptical about the prospective abundance of wheat supplies they could limit the amount of wheat that they are prepared to put in the agreement, and leave a larger proportion available for free sale. Equally, the importing countries should accept the logic of an economic price of $2; if an international agreement, desirable as it may be, cannot be obtained at that figure, they should let free markets have their chance and be prepared to back their confidence that wheat will be obtainable over the next few seasons at an average price no higher than this.

Japan and Sterling Markets

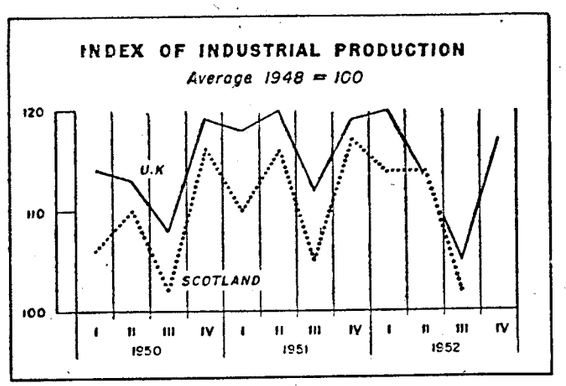
DURING the past nine months Japan's sterling balances have fallen steeply; from some £125 million in June, 1952, they ran down to only £70 million at the beginning of this year. They are even lower now, and are apparently expected to go on falling; the Japanese Finance Minister recently estimated that Japan's total holdings of foreign exchange (now about $1,030 million) were likely to decline by another 10 per cent in the next six months. Since July, 1952, Japan has run a persistent deficit with the sterling area, largely because the import restrictions that sterling countries have recently applied to Japanese goods have been almost as severe as those imposed upon dollar goods.

It is not surprising, therefore, that last week's financial talks between the United Kingdom and the Japanese Government were held at Japan's request. The only published outcome of these talks has been an undertaking by the United Kingdom to recommend to the Colonial Governments "certain limited relaxations" in the restrictions upon the import of Japanese goods into the colonies; Japan has accepted this very vague agreement on the understanding that its working will be reviewed after four or five months. It is understood that the "recommendations" relate to the extent to which colonial governments may increase their total imports of Japanese goods: the categories of the goods to be admitted more freely will be decided by the individual Colonial Governments, but cotton piece-goods and certain other cheaper consumer-goods will clearly be well to the fore. It is expected in London that colonial imports from Japan, although likely to recover from their drastically curtailed level in the second half of 1952, will not return at once to their 1951 level—still less to the much higher rate reached in the first half of last year.

The independent Commonwealth countries have been informed of the new agreement; if they choose to follow suit, there should certainly be scope for an increase in their imports from Japan: it is startling to note, for instance, that whilst Japan has recently regained its prewar position as Australia's second-best customer, Australia's imports from Japan fell from over £A34 million in the period from July to February, 1951-52, to only £A4 million in the same eight months period in 1952-53. The agreement about colonial imports, and possible extensions of it to Japan's trade with the independent dominions, may mean that some British exporters will lose some sterling markets; but if agreement had been refused, other British exporters would certainly have lost their markets in Japan. The British economy as a whole should therefore not lose from this sensible, if cautious, advance towards liberalisation; and colonial consumers will clearly gain from it.

Index of Scottish Output

ONE feature of the new "Digest of Scottish Statistics," which was published last week with the annual White Paper on industry and employment in Scotland and will in future appear twice yearly, is an index of Scottish industrial production. This has been prepared by the Statistical Office of the Scottish Departments; it is based on 300 separate indicators, mainly based upon physical output, though including some engineering series based upon value of output. The index takes 1948 as its based year, thus



according with the revised production index for the United Kingdom; index figures are calculated quarterly. The calculation suggests that production in Scotland increased by 12 per cent between 1948 and 1951 (compared with an increase of 17 per cent for the United Kingdom as a whole), and will probably have fallen by 1 or 2 per cent in 1952 (against a fall of 3 per cent for the whole of the country). Scottish manufacturing output is estimated to have risen by 16 per cent between 1948 and 1951, while mining and quarrying output was barely maintained and during last year was probably lower than in 1948.

Most of the other tables in the new digest are counterparts for Scotland of the main industrial and social statistics in the monthly digest for the country as a whole; in several

cases they contain much more detail than has previously been available. The digest now replaces the statistical appendices to the annual White Paper on Scottish industry. This, like last week's Economic Survey, has a year of set-back in business to record ; a number of Scottish factories making consumer goods were closed during 1952 and some light engineering industries in the development area suffered from overseas import restrictions and slackening in demand. Shipbuilding in Scotland was particularly affected by shortage of steel plates ; the gross tonnage of merchant ships completed fell from 490,943 in 1951 to 454,723 gross tons, while launchings and the tonnage of new ships laid down declined accordingly. Nevertheless, most Scottish yards have full order books that will provide steady employment for four years ahead. Unemployment reached 75,864, or 3.6 per cent of the estimated number of employees in Scotland, in February, and over the whole of the year it was greater than at any time since 1947.

50 Years in the Factories

WHAT are the most obvious ways in which British factories of today differ from those of 50 years ago ? A first hazarded answer might be that most are only one storey high, against the multi-storied buildings at the turn of the century ; but a factory building lasts a long time. In many cases, particularly in Lancashire and Yorkshire, the factories of today are the factories of 1901 ; and they may contain some of the same equipment. But even in these, a changed layout of machines, fluorescent lighting, cleanliness and colour have often transformed the interior. The 1951 report of the Chief Inspector of Factories, which has recently been published, picks out some outstanding points of change in a most interesting survey of inspectors' records and reports since 1901.

Within the factory, many inspectors suggest, the most obvious change is the almost complete disappearance of the forest of shafting and pulleys, belts and driving straps that used to provide motive power for every machine in the factory from one main steam engine, " the pride and joy of the engine-man and endowed with almost human personality by the workers." Electricity has gradually been superseding most other forms of industrial power ; in more and more factories individual drives on each machine in the factory have taken the place of any main prime mover. A more diverse but equally widespread technological change is the application of mechanical power to more and more operations formerly done by manual labour. One large bakery firm, which in 1901 was advertising " all bread made by hand " and today advertises " bread untouched by the human hand," may exemplify not only the technical shift but a profound swing in public attitudes towards machinery. But some of the outstanding changes concern the conditions of work rather than its processes ; lighting, ventilation, cleanliness have improved vastly, welfare has appeared, and canteens have become fairly general since the second world war. One Scottish manager said that the greatest difference was in the workers themselves : " it was hardly possible to recognise in the healthy, well-dressed girls of today the puny, ill-clad factory ' hands ' who used to come to the door and ask for work."

As regulations have altered between the two dates, accident statistics for the two years are not comparable ; for what it is worth, says the Chief Inspector, Sir George Barnett, " in 1901 there were 1,035 fatal accidents and 82,725 non-fatal [notified] . . . in 1951 there were 828 fatal and 182,616 non-fatal accidents." The factory inspectors themselves have grown in number (from 95 with 34 assistants to an overworked 322, including many specialists). " Older workers," says the Chief Inspector, " remember little of the earlier inspectors except their dignity and their bowler hats," while managers remember them " with some awe." Today the bowler hat is less inevitable, and the inspectors give " friendly and skilled advice " ; the dignity, it may be hoped, is not impaired.

Tokyo by Comet

THE Comet service to Japan, opened by British Overseas Airways Corporation last Friday, is the first real competitive test of that aircraft and of BOAC's belief in jet operation. Unlike the African services, the flight from London to Tokyo lies on one of the major trunk routes of the world, second only to the North Atlantic in importance, and earning by far the highest margin of profit of any of the long-distance services. The prestige value to BOAC of flying such a service in competition with the major American and European operators cannot be over-estimated. But it is on this route that the Comet is likely to meet its most dangerous competitor, the super-Constellation that will shortly be introduced by some of the other operators. The Comet has cut more than 50 hours off the old BOAC London-Tokyo schedule, but that service, operated with Canadair IVs, provided for two overnight stops. The express services operated by other airlines cut schedules by keeping the passengers in the air throughout the journey. It is believed that the piston-engined aircraft, though much slower than jet aircraft in the air, might be able to provide a service on schedules approaching those of the Comet I by spending less time re-fuelling on the ground. The advantage of the jet airliner during this evolutionary period, before the introduction of the more economical Comet II next year, might then rest more on its anticipated ease of maintenance and the greater travelling comfort that it gives in the air.

BOAC badly needs a stimulus of this kind. During the first ten months of its current financial year—to end-January last—the corporation showed a fall in profit of £1 million compared with the same period in the previous year. Although total revenue had risen from £28 million to £30 million, profit was down from £1,154,000 to £141,000. Revenue rose 8 per cent, but expenditure—before payment of interest—rose even faster, by 12.1 per cent. An ominous indication is a drop in the load factor, from 65.6 per cent to 64.4 per cent—which is probably less than the corporation needs to break even. The heavy bookings on the Comet services mean that these aircraft are carrying a big enough load to cover all costs (even though their break-even point is slightly higher than that of a piston-engined liner), but the margin of net profit earned on them and on other passenger services (where the numbers carried have risen 15 per cent) is probably not sufficient to compensate for the drop in freight and mail revenue, the real reason for the deterioration of the corporation's finances.

Coal Performance and Plans

ALTHOUGH the total number of men on British colliery books has been declining for some weeks now, the average for the year so far is still nearly 721,000, about 14,000 higher than at this time a year ago ; and the number of miners at the coal face is still rising. If this increased mining force were still working as long and as effectively as last year—assuming no improvement in performance of any kind—it would be producing about 130,000 tons a week more than a year ago, as Sir Hubert Houldsworth has argued during his marathon tour of the coalfields in recent weekends. It is not doing so. The miners are working on average about 4.96 shifts a week, against 5.09 in early 1952 (perhaps an hour a week less) ; and absenteeism has risen to 13.4 per cent, against just under 12 per cent in the opening months of last year (entirely through a large increase in " involuntary absenteeism "). Nobody in the coal industry who has digested Sir Hubert Houldsworth's recent strictures on the use of averages is prepared to guess just what these individual figures may signify. But together they add up to a probable loss of about 100,000 tons of coal a week ; so far this year, deep-mined output has been only about 20,000 tons a week more than a year before, in spite of the extra miners.

This disappointing performance in coal production is already jeopardising the very modest plans of the National Coal Board for this year. The board is hoping that output from the miners in 1953 will be 2-3 million tons higher than last year's ; since this working year in coal will be a week and two days shorter than 1952 was, the real increase demanded from the miners is some 7-8 million tons.

This increase may still be practicable, given some increase in the effort and the efficiency of the industry. It is therefor a pity that at this time a report should be published that presents British spokesmen as faintly complacent about progress towards coal output targets for 1953 that were set fantastically higher. This report was published in January by the Organisation for European Economic Co-operation, but has only recently become available in Britain. It is the second report (and apparently the swan song) of the " Ministerial Coal Production Group " that in May last year published estimates of coal output in the OEEC countries for 1952 and 1953, and on which Lord Leathers was the British representative. The figure then given for Britain in 1953 was some 236 million long tons, to be reduced by 3 million tons if the miners took their second week's holiday, as they are doing. The second report suggests that progress towards these production targets was considered reasonably satisfactory ; a foreword reveals that the ministers' group has not met since July last year, though adding that the results of the first 48 weeks of 1952 seemed to support their moderate confidence. This particular target of 233 million tons was from the beginning one that most of the British industry's planners hastened to disown. It may have historical interest as the high-water mark of Conservative confidence in nationalised coal. But this seems hardly the time to recall it.

Modernising the Trade Accounts

THE Board of Trade has announced that certain changes are to be made in the form of the British overseas trade statistics from the beginning of next year. Their main purpose is to bring the grouping of the various items as far as possible into line with that of the standard international classification approved by the United Nations. This is a wholly admirable object, and there are reassuring indications that the changes will produce much gain and little loss.

Continuity between the old and the new bases will be secured by presenting the accounts for 1952 and 1953 on both the old and new classifications. Moreover, it is hoped to provide a direct prewar comparison by converting the 1938 statistics to the new basis. The new classification will make it easier to compare British trade in different commodities with the figures of other countries. There will in addition be a distinct improvement in bringing together all fuels under one heading, including the revision of the oil figures, and in the larger machinery group electrical machinery is to be separated from the rest. Another welcome improvement will embrace larger groups of commodities under the present analysis by countries so that general trends should be more easily discernible. Here many users would doubtless like to add a plea for commodity totals for the sterling and dollar areas—a more significant division for many purposes than the present one between Commonwealth and foreign countries.

Changes in statistical series always cause some inconvenience. But the trade classification has been virtually unaltered over the last thirty years, and it would be surprising if there were not room for improvement. Since prewar comparisons are promised, and bridges will be given between the old and the new forms, most users of the trade statistics should welcome the proposed changes.

Investment Trusts on the Rein

THERE are now 234 investment trusts quoted in the Stock Exchange Official List ; they hold a portfolio of securities with a book value of between £450 million and £475 million and a market value that is probably between £600 million and £650 million. A recent analysis by a well-known firm of London stock brokers makes it possible to examine more closely than before the part that these trusts have played in the stock markets—and in the national economy—since the war.

The first fact that emerges is that the trusts have expanded very slowly indeed in the last fourteen years. According to the new analysis the book value of portfolios reported by 130 leading London trusts in the year to June 30th last amounted to £279 million, compared with a book value of £232 million shown by 120 leading trusts in the year to June 30, 1938. Similarly, 73 leading Scottish trusts last year held a combined portfolio with a book value of £160 million, compared with one worth £152 million held by 73 trusts in 1938. The main check to the movement's growth has, of course, been the effective ban by

the Capital Issues Committee on new issues of over £50,000 by the investment trusts; this has meant that the trusts have been able to add to their portfolios in one way only—namely, by ploughing back the net income and the realised capital gains that they have made in their market operations. During the last three years, in which almost the whole of the increase in book values over the 1938 levels has occurred, these realised gains have probably amounted to no more than £25 million, which is equivalent to a 6 per cent increase over the book value of the trusts' portfolios in 1948-49.

Reshuffle of Trust Portfolios

THE actual, as distinct from the realised, capital gains made by the investment trusts since 1938 have, of course, been very much higher than this 6 per cent; the market value of their gross portfolios has probably risen by as much as 60 per cent in these fourteen years. This growth, which compares with an increase of 44 per cent in the *Actuaries' Investment Index* of ordinary shares and a fall of nearly 13 per cent in the price of old Consols between the end of 1938 and the end of 1951, has been achieved largely because the trusts—in a period of rising prices, restraint on new issues, and (up to November, 1951) of low interest rates—have been quick to switch out of fixed interest stocks into equities and out of British securities into dollar stocks.

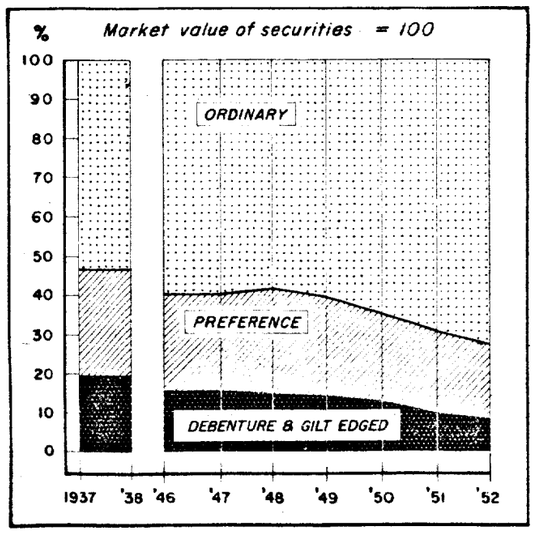
The extent of this switch in portfolios can be traced in the accounts of only that minority of trusts that have published consistent and full details of their investment holdings since 1938. The experience of this minority, which holds perhaps one-eighth of all investments owned by the movement, is shown in the charts at the bottom of this page. These charts cannot cover many of the changes in investment policy that have been made under a regime of a 4 per cent Bank rate, since they are based on portfolios published in yearly periods to the end of June, 1952; and they almost certainly exaggerate the swing towards equity investment, since the decline in the market value of fixed interest stocks in the last few years reflects a depreciation in capital values as well as actual sales. Nevertheless it is clear that the trusts are now holding more equities than they did before the war.

Since the end of the war the London trusts appear to have plunged more heavily into the industrial equity market than their Scottish counterparts. In 1951-52 the market value of equities held by the London trusts in this sample accounted for 69.9 per cent of the total value of all their holdings, compared with 43.1 per cent in 1937-38; while the comparable figures for the Scottish trusts in the sample are 79.6 per cent in 1951-52 and 69.9 per cent in 1937-38. Scottish trusts have traditionally relied more on equity investment than London trusts, but the south now seems to be catching up with the north in this respect.

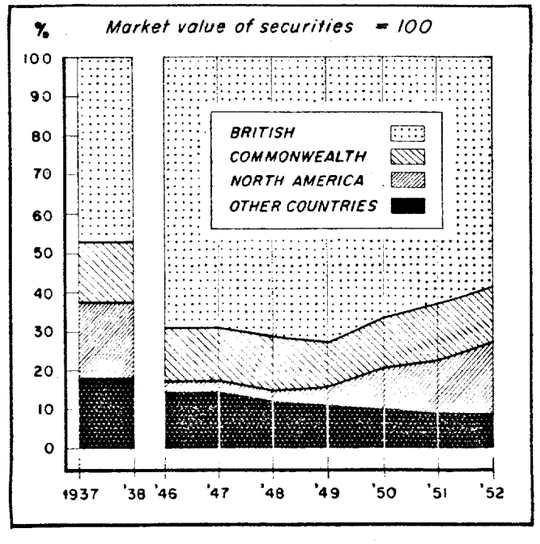
By contrast, the switch in the geographical distribution of the trusts' investments in the last few years seems to be merely a deliberate attempt to return to the prewar pattern, though the trusts are now obviously much more chary of investing in foreign securities other than dollar stocks. During the war the trusts were forced to sell their holdings of dollar stocks, and hence to add to their portfolios of British investments; since 1945 they have been switching back—by selling British and other non-dollar securities in order to buy American and Canadian stocks, presumably from private investors on the London market. In this the Scottish trusts have led the way; and in 1951-52 the market value of their dollar stocks accounted for 25.1 per cent of their holdings, compared with 15.1 per cent for the London trusts; before the war the relevant figures were 23.9 per cent for Scottish and 16.5 per cent for London trusts.

DISTRIBUTION OF INVESTMENT TRUST PORTFOLIOS

BY TYPES OF SECURITY

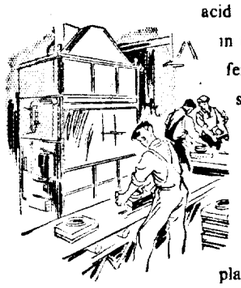


BY REGIONS



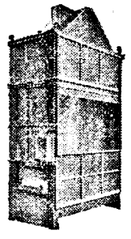
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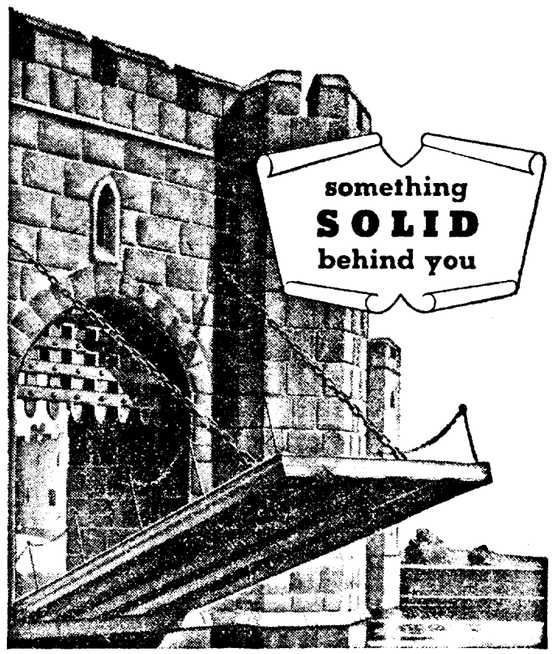
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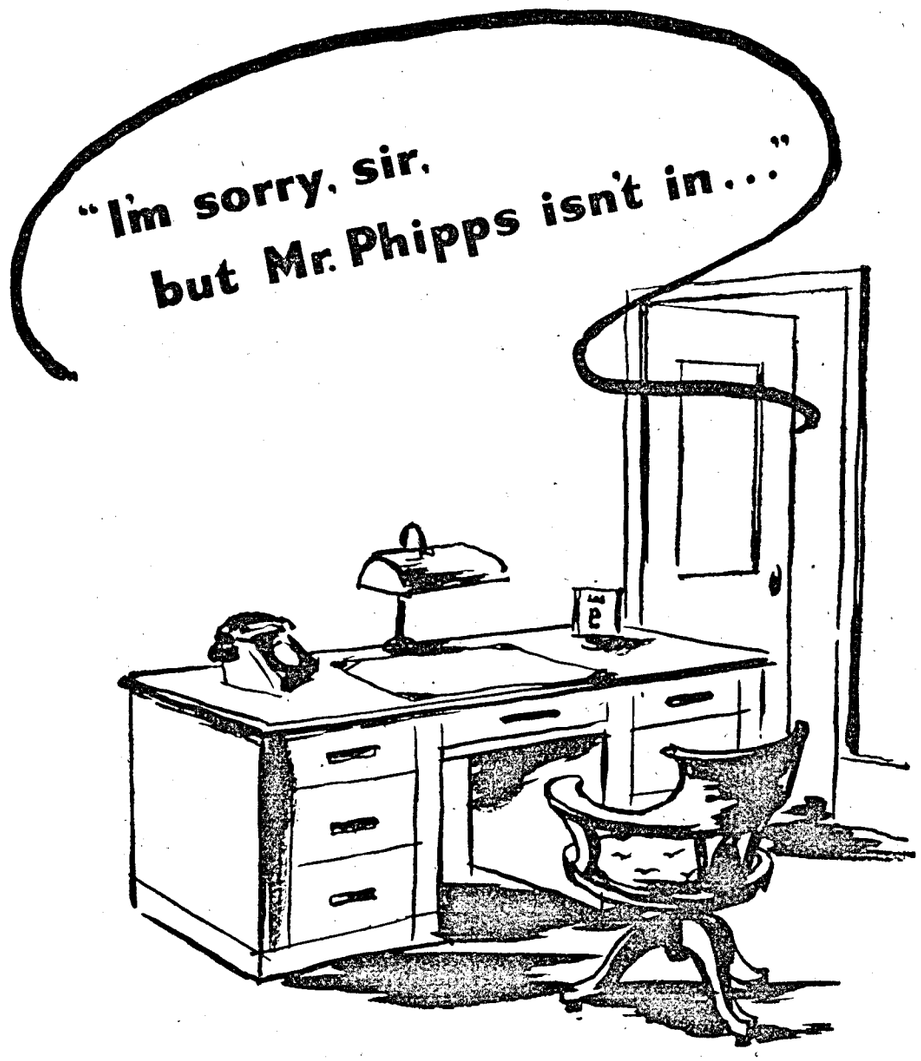
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Company Notes

HUDSON'S BAY. The preliminary report of the oldest trading company in Canada—and, for that matter, the oldest of all British companies still alive—has a special interest to investors, now that the gates through which British funds can flow into new investment in Canada are being gradually opened. The report itself (for the year to January 31st last) makes very cheerful reading by any normal standards; but it does little to encourage the wild bulls who have been speculating in Hudson's Bay's ordinary shares.

The company, whose interests are still chiefly but not solely confined to retail and wholesale trading in Canada, has recovered from the slight setback it suffered in 1951-52 and its trading profits have risen from £2,526,388 to £3,328,836. It has had to provide more for taxes both here and in Canada, but its net profits have risen sufficiently—from £654,446 to £989,493—to encourage its directors to raise the distribution on equity capital. Effectively, after allowing for the 100 per cent bonus issue of shares in October, the ordinary dividend has been raised from 7½ to 10 per cent; in addition equity shareholders again receive a special distribution, equivalent to a tax-free dividend of 2½ per cent on the new capital of £4,984,448, from receipts due to land sales. The effective gross equity distribution has therefore been increased from 12½ to 14⅜ per cent. But—and here is the rub—on this basis the £1 ordinary shares at the current price of 5⅛ yield only 2⅞ per cent.

This high price reflects hopes either that the company's interests in the developing oilfields will soon pay big dividends or that bids from across the Atlantic will lead to a change in the domicile of the company. Yet on both these points the directors have spoken clearly in the past: they will resist all efforts to bring about the migration of the company from Britain and they have continually warned shareholders that the company's investments in the oilfields do not hold out the hope of large immediate returns.

★

VAUXHALL MOTORS. The full report of Vauxhall Motors contains the most encouraging appraisal of the motor trade that has been published for several months. The directors state emphatically that the demand for Vauxhall cars and Bedford trucks has continued to be exceptionally heavy both at home and abroad and to be much in excess of output. Moreover, they claim that there are definite signs that an improvement in material supplies is breaking down the restrictions on production and that a period of greater stability in costs and prices is dawning. Since the middle of last year the rate of production has increased steadily month by month, and as a consequence the company was able to produce 79,162 cars and trucks in the calendar year 1952, compared with 77,877 in 1951; of this total 56,725 vehicles were shipped to overseas countries, compared with 53,271 in 1951. The comforting story does not end there, for the value of the company's net sales rose from £35,907,479 to £44,532,711 (or by about 24 per cent) and gross trading profits rose from £5,129,065 to £8,102,855 (or by over 58 per cent).

As the company again paid the customary ordinary dividend of 6 per cent, all of which goes to the American parent company General Motors, the greater part of its net profits (£1,484,921, against £775,760) was ploughed back into the business. These profit retentions, together with the increase in reserves for future taxation, helped both to finance an increase in investment in stocks (which rose in book value from £7,438,602 to £9,276,758) and to strengthen the company's liquid resources; the company has still a bank overdraft of £1,500,000 outstanding but its cash balances have risen from £761,890 to £2,349,923.

The only flies in this sweet smelling ointment are the directors' references to the high rate of purchase tax and to the restrictions that have been imposed on the import of vehicles in some overseas countries. But it should be noted that these references are far more temperate than those of some other motor manufacturers and that the company is going ahead with the production of newly designed vehicles with every indication of confidence in the future. The cheerful tone of this report, following so soon upon the satisfactory results published by Ford Motor, prompts an uncomfortable question for British investors: are the motor companies with a strong American backing better equipped to ride out any squall in the industry than their purely British rivals?

★

MONSANTO CHEMICALS. The Easter holiday was not a happy one for Monsanto shareholders on either side of the Atlantic. While the American giant, Monsanto Chemicals, took a leading part in the general tumble on Wall Street, its smaller British offspring of the same name had to report on a very disappointing year. The British company's 5s. ordinary shares were marked down 1s. 1½d. to 20s. 9d. on the London market immediately following the announcement that trading profits in the year to December 31st last had fallen from £2,889,330 to £1,476,400, and that net profits had fallen even more sharply from £911,929

Consolidated earnings	Years to Dec. 31, 1951	1952
	£	£
Trading profit	2,889,330	1,476,400
Total income	2,892,987	1,548,350
Depreciation	406,307	546,734
Taxation	1,483,395	543,592
Net profit	*911,929*	*261,785*
Ordinary dividends	318,937	259,875
Ordinary dividends (per cent)	22½	18⅜
Capital reserve	6,743	3,257
Added to carry forward	532,272	*Dr 1,651*

5s. ordinary stock at 20s. 6d. xd yields £4 0s. per cent.

to £261,785. As a result, the directors have been forced to reduce the ordinary dividend from 22½ to 18⅜ per cent.

In explaining why this young and rapidly growing company has suffered such a setback so early in its life, the directors report that 1952 witnessed "an emphatic shift from a seller's to a buyer's market in the chemical industry"; in consequence, the group's original estimates of production had to be revised. The fall in profits, however, does not appear to have sprung from any undue cuts in production, for the total value of its sales was only 3 per cent below the 1951 level and the total volume of sales was actually 10 per cent higher. Earnings fell because profit margins were squeezed between lower selling prices (forced on the company by more intensive foreign competition) and higher raw material and labour costs. Although the directors expect that some of the adverse factors of 1952 will persist, they have budgeted for a further increase in turnover this year.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Mar. 31, 1953	Price, Apr. 8, 1953	Net Yield, Apr. 8, 1953	Gross Yield, Apr. 8, 1953
			£ s. d.	£ s. d.
War Bonds 2½% '52-54	99⅜	99⅜	1 10 4	2 17 1*l*
Exchequer 2½% 1955	98⅛	98⅛	1 13 4	2 16 7
Exchequer 3% 1960	99⅜	99⅛	1 12 7	3 1 7
Ser. Funding 1½% '53	99⅛	99⅛	1 17 10	2 11 10
Ser. Funding 1½% '54	98⅜	98⅛	1 18 6	2 14 3
Ser. Funding 3% '55	100⅜	100⅛	1 9 1	2 16 5
War Bonds 2½% '54-56	99⅛	99⅛	1 10 9	2 15 9*l*
Funding 2½% '52-57	99⅛	99⅛	1 9 5	2 17 9*l*
Nat. Def. 3% '54-58	100⅜	100⅛	1 10 3	3 0 1*l*
War Loan 3% '55-59	100⅛	100*	1 11 5	2 19 10*l*
Savings 3% '55-65	94⅛	94⅜	2 2 4	3 12 3*l*
Funding 2½% '56-61	95⅞*	95⅝*	1 18 2	3 2 6*l*
Funding 3% '59-69	88½*	89*	2 8 1	3 18 7*l*
Funding 3% '66-68	90⅛	91⅛	2 5 9	3 16 5*l*
Funding 4% '60-90	99⅛*	98⅛*	2 4 11 / 2 2 9	4 2 8*e* / 4 0 10*l*
Savings 3% '60-70	87⅞	88	2 8 9	3 19 9*l*
Savings 2½% '64-67	86⅜	86⅛*	2 8 11	3 14 7*l*
Victory 4% '20-76	101½	101⅞	1 19 10	3 17 11*s*
Savings 3% '65-75	85⅛	85⅛	2 8 7	4 0 4*l*
Consols 4% (aft. 1957)	88⅜	88⅛	2 7 8	4 11 1*f*
Convs. 3½% (aft. 1961)	79⅜	79⅜	2 6 2	4 8 0*f*
Treas. 2½% (aft. 1975)	58⅛	58⅛	2 4 7	4 5 0*f*
Treas. 3% (aft. 1966)	69⅛*	69⅜	2 5 5	4 6 6*f*
Treas. 3½% '77-80	90⅛	90⅛	2 6 9	4 3 0*f*
Redemption 3% '86-96	78⅛	79⅛	2 6 6	3 19 11*l*
War Loan 3½% aft. 1952	80⅛	80⅛	2 6 1	4 8 5*l*
Consols 2½%	59⅛*	59⅛	2 3 10	4 3 7*f*
Br. Elec. 3% '68-73	85⅜	86	2 9 5	4 0 8*l*
Br. Elec. 3% 74-77	84⅛	84⅜	2 8 5	4 0 1*l*
Br. Elec. 4½% '74-79	100⅛	100½	2 4 6	4 4 10*s*
Br. Elec. 3½% '76-79	91⅜	80⅜*	2 6 0	4 4 11*l*
Br. Trans. 3% '78-88	80⅛	80⅛	2 8 5	4 1 2*l*
Br. Trans. 3% '68-73	85⅛	85⅛	2 9 6	4 2 0*l*
Br. Trans. 4% '72-77	97⅛	97⅜	2 5 9 / 2 5 2	4 5 4*e* / 4 4 8*l*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, Mar. 31, 1953	Price, Apr. 8, 1953	Yield, Apr. 8, 1953
%	%					£ s. d.
20 *a*	40 *b*		Anglo-Am. 10/-	6⅛	6⅛*	4 16 0
25 *b*	5 *a*		Anglo-Iran £1	5⅛	5⅛	5 6 8
7½*a*	12½*b*		Assoc. Elec. £1	79/-	79/-	5 1 3
20 *b*	7½*a*		Assoc. P. Cem. £1	106/3	106/3	5 3 6
10 *a*	33 *b*		Bass £1	126/3	121/3	7 1 10
20 *c*	10 *a*		Boots 5/-	20/3	19/6	5 2 7
3 *a*	7 *b*		Brad. Dyers £1	25/6*	26/-	7 13 10
4½*a*	6½*b*		Br. Celanese 10/-	23/6	23/3	4 14 7
...	17½		Br. Motor Cp. 5/-	6/6	6/3	8 6 5*g*
6 *a*	9 *b*		Br. Oxygen £1	54/3	51/6*	5 16 6
3 *a*	3 *b*		Can. Pac. $25	$53½	$51⅛	5 5 3
7½*b*	5 *a*		Coats £1	46/-	45/-	5 11 1
6½*b*	5 *a*		Courtaulds £1	40/6	39/9	5 13 2
12½*b*	2½*a*		Cunard £1	42/6	41/-	7 6 4
15 *b*	7½*a*		Distillers 4/-	17/3	16/6	5 9 1
17½*c*	17½*c*		Dunlop £1	50/-	48/9	7 3 7
15 *c*	15 *c*		Ford £1	56/10½	56/10½	5 5 6
15 *b*	3½*a*		Gen. Elect. £1	43/6	43/6	5 3 5*p*
10 *b*	5 *a*		Guest Keen £1	54/9	52/9	5 13 9
7 *a*	10 *b*		Guinness 10/-	29/9	29/6	5 15 3
4½*a*	5½*b*		Hawker Sid. £1	39/9	37/3	5 7 5
13 *c*	5 *a*		Imp. Chem. £1	46/6	45/9	5 13 8
13½*a*	11½*b*		Imp. Tobacco £1	55/3	54/9	7 6 1*o*
$2·6 *c*	$2·6 *c*		Int. Nick. n.p.	$78	$73⅜	6 5 11
17½*c*	17½*c*		J'burg Con. £1	67/6	66/3	5 5 8
5 *a*	10 *b*		Lancs. Cotton £1	43/-	42/3	7 2 0
7½*a*	10 *a*		Lon. Brick £1	63/1½	63/1½	5 10 11
65 *b*	15 *a*		Marks & Sp. A 5/-	54/-	53/-	3 15 6*n*
6½*a*	11½*b*		Monsanto 5/-	22/-	20/6*	4 9 5
10½*b*	6 *a*		P. & O. Def. £1	59/6	61/-	5 9 3
17½*b*	7½*a*		P. Johnson 10/-	32/9	32/-	7 16 3
†100 *c*	†105 *c*		Prudentl. 'A' £1	37	37	5 8 0
175 *b*	50 *a*		Rhokana £1	17⅜	16½*	13 16 11
10 *b*	5 *a*		Rolls Royce £1	65/-	61/3	4 18 0
†10 *b*	†5 *a*		"Shell" Stk. £1	84/4½	80/7½	5 13 7*f*
13½*a*	8½*b*		Tube Invest. £1	61/3	60/-	5 0 0*h*
5 *a*	20 *b*		Tur. Newall £1	52/9	51/3	4 17 7*m*
8½*b*	5 *a*		Unilever £1	47/3	46/3	5 16 9
10 *c*	12½*c*		Union Castle £1	27/-	26/6	4 14 4*k*
5 *a*	5 *b*		Union Disc. £1	41/-	41/-	4 17 7
†6½*b*	†4½*a*		Utd. Molass. 10/-	29/3	29/3	6 15 9
30 *b*	7½*a*		U. Sua Betong £1	38/1½	35/-	21 8 7
10 *b*	2½*a*		Vickers £1	48/7½	45/6	5 9 11
15 *a*	40 *b*		Woolworth 5/-	51/3	51/9	5 6 3

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*f*) Yield basis 22·9 gross. (*g*) Div. declared for 4 months. Yield basis 10⅞%. (*h*) Yield basis 15%. (*k*) Yield basis 6½%. (*m*) Yield basis 12½%. (*n*) Yield basis 40%. (*o*) Yield basis 20%. (*p*) Yield basis 11½%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the 10 days ended March 31, 1953, total ordinary revenue was £134,255,000, against ordinary expenditure of £212,078,000 and issues to sinking funds £478,000. Thus, including sinking fund allocations of £35,227,000 the surplus accrued since April 1, 1952, was £88,124,000 compared with a surplus of £379,733,000 for the previous financial year.

	Estimate, 1952-53 £'000	April 1, 1951 to Mar. 31, 1952	April 1, 1952 to Mar. 31, 1953	9 days ended Mar. 31, 1952	10 days ended Mar. 31, 1953
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1804 225	1668.749	1736.233	59.343	56.880
Sur-tax	125.000	129.600	131.200	4.700	5.600
Death Duties	175.000	183.000	151.850	3.900	4.500
Stamps	57.500	61.900	50 250	2.100	1.600
Profits Tax & EPT	452.900	315.400	376.100	11.200	9.400
Excess Profits Levy	5.000	...	2.950	...	750
Special Contribution and other Inland Revenue	2.000	3.270	2.020	60	30
Total Inland Rev.	2618.725	2361.919	2450.603	81.303	78.760
Customs	1043.500	998.497	1024 498	20.083	24 085
Excise	772.000	753.285	739 093	19.490	19.735
Total Customs and Excise	1815.500	1751.782	1763.591	37.573	43.820
Motor Duties	64.150	65.211	67.558	683	...
Surplus from Tradg.	12.000	75.455	...	...	...
P.O. Net receipts)	...	...	...	1728	...
Broadcast Licences	15.000	14.150	14.800	1.350	1.200
Sundry Loans	26.000	25.393	24.681	...	...
Miscell. (incl. Surplus War Stores)	110.000	139.482	117 382	10.532	10.475
Total Ord. Revenue	4661.375	4433.392	4438.715	123713	134255
SELF-BALANCING					
Post Office	209.235	190.050	209.900	10.278	6.500
Income Tax on EPT Refunds	4.900	5.525	5.192	142	72
Total	4875.510	4628.967	4653.807	134133	140827
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	513,599	576,411	2.990	2,773
Payments to N. Ireland	40,000	39.435	44,662	2.040	2.904
Other Cons. Funds	10,000	11,678	10.483	57	461
Total	625,000	564.712	631,555	5.087	6 138
Supply Services	3805,021	3461.547	3683.809	182909	205940
Total Ord Expend.	4430,021	4026.259	4315.364	187996	212078
Sinking Funds	...	27.400	35.227	438	478
Total (excl. Self-Balancing Expd.)	4430,021	4053.659	4350.591	188434	212556
SELF-BALANCING					
Post Office	209,235	190,050	209.900	10.278	16.500
Income Tax on EPT Refunds	4.900	5,525	5,192	142	72
Total	4644.156	4249.234	4565.683	198854	219128

After increasing Exchequer balances by £187,373 to £3,591,554, the other operations for the 10 days increased the National Debt by £9,553,211 to £26,024 million.

NET RECEIPTS (£ THOUSAND)

P.O. and Telegraph (Money) Acts 1950 and 1952	13,500
Miscellaneous Financial Provisions Acts 1946 and 1950 and Civil Contingencies Fund Act 1952	75.000
E.P.U. (Financial Provisions) Act 1950 s.5	185
	88,685

NET ISSUES (£ THOUSAND)

Housing (Temp. Accomm.) Acts 1944 and 1947	30
EPT Refunds	87
Armed Forces (Housing Loans) Act 1949, s. 1(1)	1,050
Local Authorities Loans Act, 1945, s. 3(1)	15,150
New Town Acts 1946 and 1952	1 699
Coal Industry Acts 1946 to 1951	400
Miscellaneous Financial Provisions Act 1946, s. 2(1) War Damage: War Damage Commission	1,000
Finance Acts, 1946 and 1947: Postwar Credits	361
	19,747

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	26,258	2½% Def. Bonds	750
Nat. Savings Certs.	1,700	3% Def. Bonds	2,988
3½% Def. Bonds	1,640	2½% Nat. War Bonds 1951/53	250
Tax Reserve Certs.	11,594	3% Terminable Annuities	1,270
		Other debt Internal	1,535
		Ways and Means Advances	24,845
	41,192		31,638

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
Mar. 31	4,275·1		337·9	...	..	4,611·0
Dec. 27 1953	4.715·2*		252·1	6·8	...	4,974·1
Jan. 10	4,636·1*		249·1	...	...	4,885·3
,, 17	3,010·0	1,559·6	251·7	...	...	4,831·3
,, 24	2,980·0	1,515·9	258·2	...	...	4,764·1
,, 31	2,940·0	1,494·2	250·6	...	...	4,684·8
Feb. 7	2,910·0	1,414·1	245·0	...	...	4,569·1
,, 14	2,490·0	1,416·1	235·2	...	...	4,541·2
,, 21	2,870·0	1,441·5	270·8	1·8	...	4,584·1
,, 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
,, 14	2,820·0	1,540·5	275·1	...	...	4,635·6
,, 21	2,810·0	1569·5	332·2	...	...	4,711·7
,, 31	4,406·6		303·5	3·8	...	4,715·9

* In consequence of official purchases of tender bills in connection with cash subscriptions to the new issues of Serial Funding Stock, it is impossible to calculate the division between tap and tender bills until all the bills purchased have passed their original maturity date.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment: s	d	Allotted at Min. Rate %
1952						
Apr. 4	220·0	302·1	210·0	47	0·14	62
1953						
Jan. 2	180·0	249·7	180·0	47	8·20	63
,, 9	180·0	264·2	180·0	47	7·91	57
,, 16	200·0	293·6	190·0	47	11·44	48
,, 23	190·0	285·3	190·0	47	11·47	49
,, 30	190·0	306·3	190·0	47	11·05	37
Feb. 6	220·0	315·8	220·0	48	3·19	51
,, 13	220·0	297·2	220·0	48	7·78	62
,, 20	230·0	321·7	230·0	48	7·90	56
,, 27	230·0	314·4	230·0	48	0·25	66
Mar. 6	240·0	326·9	240·0	48	0·25	65
,, 13	250·0	256·4	250·0	47	11·74	57
,, 20	260·0	351·0	260·0	47	11·78	63
,, 27	250·0	334·6	250·0	48	0·20	67
Apr. 2	230·0	322·8	230·0	48	3·93	60

On April 2nd applications for 91 day bills to be paid from April 7 to April 11, 1953, were accepted dated Tuesday to Saturday as to about 60 per cent at £99 7s. 11d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million were offered on April 10th. For the week ended April 11th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Total 51 weeks ended: Mar. 22 1952	Mar. 21, 1953	Week ended Mar. 21 1953
SAVINGS CERTIFICATES:			
Receipts	153,100	154,400	3,900
Repayments	133,600	135,300	2,300
Net Savings	19,500	19,100	1,600
DEFENCE BONDS:			
Receipts	55,584	69,914	2,175
Repayments	69,822	80,709	2,630
Net Savings	*Dr 14,238*	*Dr 10,795*	*Dr 455*
P.O. AND TRUSTEE SAVINGS BANKS:			
Receipts	691,176	721,241	13,361
Repayments	780,799	844,221	16,176
Net Savings	*Dr 89,623*	*Dr 122,980*	*Dr 2,815*
Total Net Savings	*Dr 84,361*	*Dr 114,675*	*Dr 1,870*
Interest on certs. repaid	33,517	37,581	655
Interest accrued	124,118	126,571	2,462
Change in total invested	+ 6,140	— 25,685	+ 137

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

APRIL 8, 1953

	£		£
NOTES ISSUED: In Circulation	1517,326,338	Govt. Debt	11,015,100
In Banking Department	33,030,485	Other Govt. Securities	1535,755,766
		Other Securities	715,859
		Coin (other than gold)	2,513,295
		Amount of Fid. Issue	1550,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1550,356,823		1550,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	358,979,439
Rest	3,163,728	Other Securities	29,150,971
Public Depts.	50,796,141	*Discounts and Advances*	*18,438,336*
*Public Accts.**	*11,343,560*	*Securities*	*10,752,636*
H.M. Treas.			
Special Acct.	*39,452,581*		
Other Depts.	854,474,895		
Bankers	*280 339,098*	Notes	33,030,485
Other Accts.	*74,144,797*	Coin	1,786,809
	422,987,764		422,987,764

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	April 9	Mar. 25	April 1	April 8
ISSUE DEPT.:				
Notes in circulation	1,413·7	1,488·8	1,509·0	1,517·3
Notes in banking department	36·7	61·6	41·4	33·0
Government debt and securities*	1,446·7	1,546·8	1,546·7	1,546·8
Other securities	0·8	0·7	0·8	0·7
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT.:				
Deposits:				
Public Accounts	14·2	14·6	15·9	11·3
Treas. Special Acct.	0·5	32·0	30·4	39·5
Bankers	277·1	288·3	269·3	280·3
Others	79·7	75·0	74·7	74 1
Total	371·5	409·9	390·3	405 2
Securities:				
Government	310·7	343·1	342·4	359·0
Discounts, etc.	19·1	6·2	9·7	18·4
Other	21·2	15·9	15·6	10·8
Total	351·0	365·2	365·7	388·2
Banking dept. reserve	38·2	63·5	43·2	34·8
" Proportion "	% 10·2	% 15·4	% 11·0	% 8·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,500 million to £1,550 million on March 25, 1953.

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

	April 7, 1952	Mar. 24, 1953	April 7, 1953
Cereals and meat	183·4	198·0	200·7
Other foods	192·6	193·3	197·8
Textiles	231·9	214·1	214·8*
Minerals	389·1	362·4	352·6*
Miscellaneous	193·3	186·2	185·3
Complete Index	**225·7**	**221·2**	**221·4***
1913=100	*310·6*	*304·4*	*304·7**

* Provisional.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1953	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.		Rs. a.	Rs. a.
April 1	74·0	85·25	158 0	85 10
,, 2	74·0	85 25	159 0	86 0
,, 3	Markets closed		Market closed	
,, 4	Markets closed		153 12	85 7
,, 6	Closed	85·25	Market closed	
,, 7	74·0	85 25	153 4	85 6
,, 8	74·0	85 25	154 14	85 8

COMPANY MEETINGS

NATIONAL BANK OF EGYPT

The fifty-third annual general meeting of the National Bank of Egypt was held on March 25th in Cairo, when the report of the directors and the balance sheet as follows was submitted:

BALANCE SHEET, DECEMBER 31, 1952

ISSUE DEPARTMENT

Liabilities	£E. MM.	£E. MM.
Notes issued	209,000,000 000	
Reserve (Art. 14 of Law 57 of 1951)	11,760,711 521	
		220,760,711 521
Assets		
Gold	60,552,606 439	
Egyptian and Foreign Govt. Treasury Bills and Securities	160,208,105 082	
		220,760,711 521

BANKING DEPARTMENT

Liabilities	£E. MM.	£E. MM.
Share Capital 300,000 fully paid shares of £E10 each		3,000,000 000
Reserve Fund		
Statutory reserve	1,500,000 000	
Special reserve	1,500,000 000	3,000,000 000
Egyptian Government Special Treasury Bills account (Art. 14 of Law 57 of 1951)		70,000,000 000
Egyptian Government Special Treasury Bills account (Law 294 of 1952)		7,855,854 286
Sudan Government		1,934,518 923
Banks in Egypt (Art. 19 of Law 57 of 1951)		38,157,885 977
Current, deposit and other accounts		63,378,813 690
Cheques payable		319,380 640
Sundry other accounts		1,171,611 618
Provision for payment of final dividend at the rate of 16 per cent per annum		480,000 000
Profit and Loss account, balance		253,040 555
Contra Accounts:		
Credits opened and letters of guarantee issued, etc.		30,373,439 421
		219,924,545 110

Assets	£E. MM.	£E. MM.
Egyptian and Foreign Govt. Treasury Bills and Securities and Securities guaranteed by the Egyptian Govt.		131,110,679 229
Sundry Securities		657,679 970
Advances to the Egyptian Government		4,872,214 275
Advances to Banks in Egypt:	£E. MM.	
On merchandise	700,000 000	
On securities	3,748,626 375	4,448,626 375
Other advances:		
On merchandise	9,976,370 685	
On securities	2,778,560 897	12,754,931 582
Sundry other advances		5,209,674 477
Bills discounted		884,080 266
Foreign bankers and correspondents and money at call		19,556,745 766
Sundry other accounts		1,266,830 000
Buildings		100,000 101
Cash	£E. MM.	
N.B.E. notes	8,483,047 250	
Other notes and coin	206,596 398	8,689,643 648
Contra Accounts:		
Clients' liability for credits opened, letters of guarantee issued, etc.		30,373,439 421
		219,924,545 110

SADIK HENEIN, TAHER EL LOZY } Directors
MOHAMED AMIN FIKRY, Governor.

PROFIT AND LOSS ACCOUNT

Dr.	£E. MM.	£E. MM.
Directors' fees		19,504 099
Current expenses		1,719,609 481
Interim dividend at the rate of 4 per cent per annum		120,000 000
Provision for payment of final dividend at the rate of 16 per cent per annum		480,000 000
Balance carried forward		253,040 555
		2,592.154 135
Cr.	£E. MM.	
Gross profit for the year ended December 31, 1952, after providing for depreciation on buildings and furniture, for rebate of discount, for doubtful debts and contingencies		2,371,817 043
Balance brought forward from last year		220,337 092
		2,592.154 135

Addressing the meeting, Mr Aly Shamsy, the President, in the course of his speech, said: The year 1952 was not a good one for Egypt's economy. Two years of official intervention in the cotton market resulted in the disorganisation of the Egyptian price mechanism during the 1950-51 and 1951-52 seasons. Thus, this mechanism no longer functioned normally, but only in the direction of a rise which was almost continuous up to the spring of last year. This policy raised expectations which subsequent events showed to be illusory. Indeed, the fall in the prices of raw materials that followed the localisation of events in Korea was felt in world markets as early as the first half of 1951. Cotton-producing countries, in particular, suffered on this account owing to the double effect of import restrictions imposed by certain countries, and of the slackening in demand from the textile industry. Yet, it was in the face of this situation, symptomatic of a recession, that Egypt gave new life to inflation by imposing, through her price policy, a virtual embargo on exports.

Our fears, then, were only too justified when we told you here in March, 1952, that the search for ever higher prices, without regard to international prices, was highly injurious to the whole of the national economy.

Owing to the difficulties of cotton marketing during the 1951-52 season, the inflationary situation we were formerly facing has now been succeeded by signs characteristic of deflation, the direct causes of which are to be found in the fall of prices and the relative stagnation of exports.

In November, 1952, cotton prices were brought into line with those of America. This new contingency has naturally resulted in the reduction of income from agriculture and the value of our exports. It follows that there will be a tendency for imports to diminish, thereby accentuating the contraction due to the restrictive measures taken by the authorities. In this way the inflationary situation which was steadily debasing the internal purchasing power of the currency will be gradually mitigated. However, the fall in the national income ought not to be aggravated by an abstention on the part of certain sectors of the economy from their normal activities. A favourable psychological atmosphere is essential in order to encourage the full utilisation of available or potential resources. It is pleasing to state that the new regime seems fully cognisant of this necessity as evidenced by the appropriate measures they have already taken or are in course of taking.

Circumstances have ordained that the agrarian reform should come into force at a time of economic depression. The effects of the recession are of a passing nature, while the evil from which Egypt is suffering and which the reform is intended to remedy is endemic. Happily introduced within the framework of law and order, the reform appears to us, notwithstanding transitional difficulties and vicissitudes, the commencement of an era which will ultimately create in Egypt a more balanced society.

The net profits amount to £E632.703, against £E629,074 in 1951, which enable us to propose a dividend of 20 per cent.

The report was adopted.

Copies of the President's Address in full will be available at the National Bank of Egypt, 6/7, King William Street, London, E.C.4.

BANK OF SCOTLAND

A NOTABLE YEAR

LORD ELPHINSTONE ON THE SUCCESSFUL MERGER

The annual general meeting of the Proprietors of the Bank of Scotland was held on April 7th within the Head Office, Edinburgh.

The Right Honourable Lord Elphinstone, KT, Governor of the Bank, presided and, in the course of his speech, said: The past year has seen a most important development in the bank's history. I refer to the amalgamation with the Union Bank of Scotland, Limited, the first stage of which has been satisfactorily concluded. Ownership of the whole share capital of the Union Bank is now vested in the Bank of Scotland. While the amalgamation has at this stage taken this form the aim and object of the merger is to unite completely the undertakings of both banks under the name and Constitution of the Bank of Scotland, and this will be accomplished in due time. In the meantime the Union Bank will continue to operate as hitherto.

BALANCE SHEET

The balance sheet which is presented shows all its customary strength. A new entry in the balance sheet records the holding of the share capital of the Union Bank. This appears at £2,100,000, the par value of the stock of the bank issued in exchange for it.

The year's accounts include dividend from the Union Bank for the period from October 23, 1952—the date at which the offer to acquire the share capital became effective. This amounts to £75,748 before deduction of income tax.

The net profit for the year amounts to £341,711. Adding thereto the balance brought forward of £191,099 there is available £532,810. From this there has been transferred to reserve for contingencies £100,000, and to staff pension fund £30,000, leaving £402,810. An interim dividend of 6 per cent actual on £2,400,000 stock of the bank was paid on October 15, 1952, requiring, less income tax, £75,600, and a final dividend of 6 per cent actual is now recommended, payable on £4,500,000 stock of the bank, which will require, less income tax, £141,750, leaving a balance to be carried forward of £185,460.

These results, which I think you will regard at satisfactory, cover a year of change in the bank's capitalisation and direct comparison with previous years is therefore inappropriate. It will be seen, however, that while the stock issued by the bank in exchange for the shares of the Union Bank will receive six months' dividend, the bank's profit and loss account has only been credited with dividend in respect of the Union Bank shares for a period slightly in excess of four months.

BANKING CONDITIONS DURING THE YEAR

Banking conditions have been dominated during the year by the increase in the Bank Rate made in March, 1952, and the stricter application of credit restrictions. These measures, dictated by the need to preserve the financial resources of the nation, have, along with more rigid control of imports, succeeded in arresting the drain on the country's exchange reserves, and for this we must be thankful. There is, however, no occasion as yet to believe that any major relaxation of these measures is likely. The country's international trade position is much

too precarious to justify any such expectations and the need to stimulate export trade remains as great as ever. It is only by increased saving and increased production that the situation can be permanently bettered.

The persistently high level of taxation, with its deadening effect on enterprise and endeavour, is serious. Reduced spending by Government is the obvious means of effecting reduction, but while this is easily said it is not so easy to indicate where that can be achieved. The Chancellor of the Exchequer has no light task in dealing with this so long as rearmament expenditure, the housing programme and the social services of a welfare state continue to make their present demands. Nevertheless, the need for reduction and simplification of taxation is clearly imperative. The total time spent in dealing with taxation problems must be absorbing the country's best brains at a time when their employment in productive enterprise could not have been more valuable.

Experience appears to indicate that in present economic conditions the effect of an increased rate of interest as a means of checking demand for credit internally is in some degree offset by the present level of taxation. The extra cost to the borrower in terms of net income is greatly minimised, and it would seem therefore that so long as the need exists to direct the country's savings and financial resources in a manner best designed to serve the national interests we must expect the continuance of present restrictions on the granting of credit as the principal means towards that end. These restrictions, while they are irksome, are now more widely understood, but there is no doubt that their application involves the rejection by the banks of much business of an otherwise satisfactory nature.

INTERNATIONAL COMBUSTION (HOLDINGS)

RESULTS AGAIN A RECORD

The nineteenth ordinary general meeting of International Combustion (Holdings) Limited was held on April 2nd in London.

The following is an extract from the circulated review of the Chairman, Mr G. R. T. Taylor.

The gross profit of the group is again a record, being £1,580,403 for the year, as compared with £1,262,338.

Taxation has, however, become a very heavy burden. At a time in the country's history when incentive is a vital necessity, the ultimate effect of this penal factor is to stifle enterprise and initiative in every direction. I cannot see how the country can be expected to get on to the road for recovery while such a position obtains.

An interim dividend of 10 per cent on the ordinary stock in issue on July 31, 1952, having been paid, your directors recommend a final dividend of 10 per cent on the ordinary stock capital as increased in December last from £959,245 to £1,918,480.

With our present order book and the necessity for meeting the increasing universal demand for electrical power, I can see no immediate recession in our business, subject, of course, to world happenings which are beyond our control.

The group has successfully overcome the difficulties in connection with obtaining raw materials and other supplies, with the result that the output is again much higher than previously and constitutes yet another record.

The report was adopted.

TELEPHONE AND GENERAL TRUST LIMITED

SATISFACTORY TRADING RESULTS

PORTUGAL'S 6-YEAR ECONOMIC PLAN

IMPORTANT FACTOR IN FUTURE EXPANSION

SIR ALEXANDER ROGER'S REVIEW

The twenty-seventh annual general meeting of the Telephone and General Trust Limited will be held on April 28th in London.

The following is an extract from the circulated statement of the chairman, Sir Alexander Foger, KCIE:

The results are again satisfactory—the profit of £90,189 showing an increase of £2,850 after charging £101,100 (against £94,200 in 1951) for taxation, which absorbs 52.85 per cent of our gross profit. Dividends, interest and miscellaneous income at £262,802 are up by £10,244. Management expenses and directors' emoluments increased by £1,839, while interest paid on loans and deposits was £1,345 less than in 1951. We have transferred £20,000 to revenue reserve, bringing that up to £130,000.

I told you last year of the success of the issue in April, 1952, of 373,000 ordinary shares of £1 each at 23s. This increased our issued ordinary stock to £1 million, upon which an interim dividend of 3 per cent was paid in October, 1952, and provision is made for a 5 per cent final dividend.

BALANCE SHEET

Investments at £1,446,043 have increased by £63,316. The valuation of £1,920,484 for quoted investments represents an appreciation of 52.36 per cent on the net book cost of £1,260,450.

We are in a liquid cash position with £786,276 upon call and at bank, most of which we anticipate will be required during 1953 for the further development of the telephone systems of our overseas operating subsidiaries and associates.

PORTUGAL

The Anglo-Portuguese Telephone Company has been operating the telephone services in the cities and suburbs of Lisbon and Oporto for 66 years under concessions granted to it by the Portuguese Government. The Trust became connected with the Anglo-Portuguese Telephone Company in 1927.

At December 31, 1927, the number of telephone stations in service was a little over 21,000, whereas the number at December 31st last exceeded 119,000, and is steadily increasing. The progressive nature of Portugal's national economy is reflected in the constant stream of new applications for telephones and the waiting list remains a heavy one with which the company is dealing as expeditiously as possible.

The cordial relationship between the Anglo-Portuguese Telephone Company and the Portuguese Government was again demonstrated in January, 1953, when the Minister of Communications presided at the opening of a new telephone exchange, with an initial capacity for 10,000 subscribers, in the north-eastern sector of Lisbon.

The highlight of Portuguese internal affairs during the past twelve months has been the introduction of the six-year economic plan for the agricultural and industrial development of Portugal and her overseas territories. The cost of this plan, when completed, is estimated to be 13,500,000 contos, that is, at the present rate of exchange, approximately £169 million.

Within the plan further development of hydro-electric power is contemplated in addition to the development of agriculture and a number of other projects of importance. The progress of this plan from year to year will be an increasing benefit to Portugal and its overseas possessions and, so far as the Anglo-Portuguese Telephone Company's operations are concerned, must be an important factor in the expansion of the business which lies before it.

VENEZUELA

The Trust has been connected with Venezuela for 25 years and it has a substantial interest in the telecommunications of that country through the—British—Telephone Properties Company and the Venezuelan operating company, the Nacional Telephone Company of Venezuela. Over 7,000 stations were added to the system during 1952, the number at December 31st last exceeding 79,000.

The plans of the new Venezuelan Government, as they affect the future operations of the Telephone Company, require clarification, and financial and technical representatives of the Trust and Telephone Properties are in Caracas participating in discussions with the authorities.

WEST INDIES

In close collaboration with the boards and managements of our associated telephone operating companies in Jamaica, Trinidad and Barbados, the Trust has continued its policy of providing financial and technical assistance in their plans for development of the telephone systems in their respective territories.

I offer no excuses for repeating that these services are of great benefit to the companies concerned and thus to the public to whom they provide telephone service. The companies are able to plan ahead in the knowledge that they have the backing of the Trust for initial finance.

THE COST OF TELEPHONE SERVICE

My report this year would not be complete without some reference to costs and telephone services in general. It is, I think, widely accepted today that the modern telephone service is good value for money.

Telephone companies, such as those in which the Trust is interested, at all times seek to improve efficiency at the same time as eliminating waste in every form. Any increase in tariffs is delayed as long as possible, but with higher costs it follows that income must, when necessary, be expanded to meet them.

Nevertheless, it remains our policy to provide more telephones with the most modern type of equipment at the lowest economic cost to the public.

JAS. WILLIAMSON & SON, LIMITED

DIFFICULT CONDITIONS AFFECT PROFITS

HOME MARKET ORDERS MAINTAINED

LORD PEEL'S STATEMENT

The annual general meeting of Jas. Williamson & Son, Limited, was held on April 2nd at Lancaster, The Rt. Hon. The Earl Peel (the chairman) presiding.

The secretary (Mr L. Beswick) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 24, 1952:

The year 1952 may, I think, be regarded as significant in the postwar history of many industries in this country. Not only was it a difficult year but the future may disclose that it marked the beginning, if not the end, of a period of transition between the abnormal years following the world war and what may well be much harder trading conditions. The net profit of your company for the year, after rising from about £600,000 in 1950 to over £800,000 in 1951, has fallen to £242,000. This reduction was, in the main, caused by more difficult trading conditions, both at home and abroad, and to the fall in the price of raw materials.

THE TRADE RECESSION

Last year I mentioned that we were beginning to feel the effects of a recession of trade and it is well known that business in the home market for nearly all consumer goods remained poor in 1952, particularly during the summer months. Moreover, at a time when the prices of many household goods were moving upwards, the linoleum industry, in spite of rising costs, was forced by price control to keep selling prices down, with the result that when the price of other goods was reduced that of linoleum remained unchanged. This situation led to a good deal of ill-informed comment and, in addition, to uncertainty in the minds of both traders and public, which prevented steady buying. In spite of these difficult conditions, I am happy to say that we succeeded in maintaining a good share of home market orders for all our products; floor coverings, leathercloths and table-coverings.

On the other hand, our turnover in export markets was substantially reduced, mainly because of financial and quota restrictions placed on their imports by countries overseas. To name only two, Australia and France made very substantial cuts in their imports of our types of goods. However necessary may have been the Government's efforts to balance payments at a critical time by imposing restrictions, reduction in imports can only bring temporary advantages. The inevitable retaliation means that there is less trade and consumer goods suffer first.

TRIBUTE TO STAFF AND WORKPEOPLE

At this point I would like to pay a tribute to all our staff and workpeople who, by their understanding of the company's problems, did so much to bridge some difficult months during which short-time working was necessary. That their spirit remains unimpaired is a good augury for the future and for the success of the efforts we are making in the buyers' markets of the world.

The cost of our principal raw materials fell during the year, particularly towards the end, and the market price in December, 1952, was considerably lower than at the end of 1951. Linoleum cannot be made either in small quantities or in a short time, with the result that substantial stocks of raw, intermediate and finished materials must be held. Although the volume of stocks was reduced appreciably during the year, it has been necessary to write down their value to considerably below the original cost.

Last year your directors decided to set aside out of profits a reserve of £100,000 to meet a situation they felt would certainly develop and they have appropriated the sum of £50,000 towards the cost of this heavy writing down.

REPLACEMENTS AND MODERNISATION OF PLANT

During the year the cost of replacements and modernisation of plant was £238,000. When a piece of plant is replaced it is always difficult to say how much of the new price is due to improvement and how much to mere replacement, but it is certain that, even if a machine purchased some years ago is replaced by an exactly similar one, the cost today is several times that originally paid. This extra cost is not provided by depreciation and under present law has to be found from so-called profits after they have been taxed. It is evident that the asset represented by the machine is not being maintained intact until replacement is provided for. It is known that the Government are studying this problem and I hope they will find a solution. In the meantime your directors consider it necessary to provide for this extra cost and recommend setting aside the sum of £90,000 to plant replacement reserve, bringing the total provided for this purpose to £565,000.

DIVIDEND RECOMMENDATION

Last September, when the figures for the first half of the year's trading were available, an interim dividend of 2 per cent, less tax, was declared as compared with 2½ per cent, less tax, in recent years. Your directors now recommend a final dividend of 5½ per cent, less tax, making a total of 7½ per cent, less tax, for the year.

At the last annual general meeting your board lost by retirement the services of Mr H. E. Sier, FCA, who had advised on financial matters for so many years, but I am now pleased to be able to tell you that as from October 1st last we have had the benefit of the experience of Mr T. H. Bell, FCA, a partner in a well-known firm of chartered accountants in Manchester, whose appointment as a director you will be asked to confirm.

The report and accounts were adopted; the final dividend, as recommended, of 5½ per cent, less tax, making a total of 7½ per cent, less tax, for the year, was approved; the retiring directors, Mr G. G. Parkinson, Mr L. Beswick and Mr T. H. Bell, FCA, were re-elected; and the remuneration of the auditors, Messrs Viney, Price and Goodyear, having been fixed, the proceedings terminated.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

INCREASE OF OVER £100,000 IN PREMIUM INCOME

INCREASE IN NET RATE OF INTEREST EARNED

The one hundred and twelfth annual general meeting was held on April 7, 1953, Mr A. H. Sayer, MC, JP, the Society's chairman, in the chair.

The chairman, in moving the adoption of the reports, said:

During the year 1952 the total new sums assured of £3,507,648 secured in the ordinary department did not quite reach the record total of £3,796,302 for 1951. In the industrial department, however, policies were issued for a total sum assured of £3,482,761, which was an increase of nearly £200,000 over the total for 1951.

New business, however, is not the only, nor in fact the best, test of whether an office is making progress. The growth of premium income is the generally accepted indication. The Society's progress during 1952 is demonstrated by the fact that premiums received from all departments, amounting to £3,777,384, were £129,971 greater than those received during 1951.

The directors have decided to add a further £350,500 to the already large investments reserve.

It is gratifying that the yield on the Society's investments during 1952, after deduction of income tax, was £3 19s. 9d., an increase of 5s. 5d. per cent over that for 1951.

The liabilities under policies both in the ordinary and industrial departments have been valued assuming that a rate of interest of 3 per cent will be earned on existing and future funds. This is the same basis as was used at the end of 1951 for the industrial department but is ¼ per cent higher than the rate that had been assumed that year for the ordinary department.

The surpluses emerging in both the ordinary and industrial departments are higher than for any previous year when the figures are made comparable by deducting releases of actuarial reserves and profits on realisation of investments. The main reason for the improved results is the higher yield obtainable on investments. A contributory factor, however, has been the satisfactory rate of mortality experienced during the year, which, as far as the Society is concerned, has been lower than for any year except 1948. The directors have been able to declare in the ordinary department a rate of bonus of 28s. per £100 sum assured, which is an increase of 3s. over the rate declared for 1950 and 1951.

Life assurance is a great builder of character, holding before the individual the ideal of providing for himself and his dependants by his own exertions. Life assurance, too, is a real and vital factor in the economic life of the country. The new capital required to provide and re-equip factories and to provide all those things which will make us more efficient as a manufacturing nation, which must export to live, can only come from savings. These savings will be either compulsory savings levied by the Government by way of income tax, purchase tax, or other taxes, or voluntary savings for which perhaps the most important channel is life assurance.

The combined weight of these various factors demonstrates the great importance to the community of the services which our staff render.

The report and accounts were adopted.

THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

TWO PROSPEROUS YEARS

Mr Kenneth A. E. Moore, FCA, presided on April 8th at the one hundred and twenty-third annual general meeting of the National Mutual Life Assurance Society.

In his speech to the members he said that the proper conclusion to be drawn from a perusal of the directors' report, the valuation report and the audited accounts, taken together, was that the affairs of the Society had prospered exceedingly in the two years which had elapsed since the last valuation. The satisfactory experience over the period had enabled rates of compound bonus to be declared of 41s. per cent for whole life assurances, 36s. per cent for endowment assurances, and 16s. per cent for low premium policies.

The cost of these higher bonuses would be £403,000, which was a figure well within the trading profits of £490,000 earned in 1951 and 1952. Furthermore, the reserve fund had been augmented and now stood at £800,000. Various factors had contributed to this good showing. Firstly, the rate of interest earned had increased by 7s. 10d. to £3 14s. 7d. per cent net of tax. Secondly, the expense ratio had fallen in the last two years from 15.5 per cent to 14.3 per cent and, thirdly, the Society's mortality experience had been extremely favourable.

INTEREST RATES

He continued: It seems difficult to escape the conclusion that by the natural law of supply and demand—if that still exists in the strange and topsy-turvy times in which we live—when additional capital is in great demand and the volume of savings is shrinking, the tendency must be towards a rise in the long-term rate of interest. Of course, in practice it is not so simple as that because for one reason or another the practical problem is for how long and to what extent can Government action divert natural forces from their full effect.

In this connection there are those who believe that the provision of adequate capital requirements is compatible with a low rate of interest, inflationary finance and physical controls, but I think there is fairly general recognition now that for this country, which is to an extreme degree not a closed economy, internal inflation has disastrous effects upon the external balance of payments.

Be that as it may, the rise already experienced in the long-term rate of interest has, of course, resulted in depreciation of investment values but, by following an active and flexible investment policy, we have been able to escape the full weight of this depreciation and such depreciation as we have suffered from this cause is more than offset, actuarially speaking, by the increased yield actually achieved and in prospect.

NEW BUSINESS DEVELOPMENTS

The society is anxious to encourage the growth of its business in whole life with profits policies and as well as the higher rate of bonus which has been given for so long by the society for this type of contract, a special additional reduction in premium rates for large whole life policies has recently been made. Highly competitive new rates for immediate annuities have also been introduced.

The society continues to make excellent progress with staff pension schemes, showing that an increasing number of businesses have found such schemes desirable not only for their staffs but also for their senior executives.

The report was adopted.

NATIONAL PROVIDENT INSTITUTION

EXCELLENT BONUS RATES

The annual meeting of the National Provident Institution for Mutual Life Assurance will be held on April 14th, at 48, Gracechurch Street, London, E.C.

The following are extracts from the address which will be submitted by the chairman, Mr Vincent W. Yorke:

It gives me great pleasure to report another year of satisfactory progress in the affairs of the Institution and net new business in excess of £5 million. The development of business is to some extent due to the widening interest in pension and life assurance schemes for employees of commercial concerns.

BOARD CHANGES

Two additional names will be submitted to you for confirmation at the annual general meeting. Mr Patrick Gathorne-Hardy is a local director of Barclays Bank, holding an executive position in the Pall Mall East District in London. I am sure that he will be an energetic and useful member of our board. Mr John Sparrow is a barrister by training and both before and after the war practised in the High Court. He was recognised as a most able Chancery lawyer, but he has also had a fine academic career, was elected a Fellow of All Souls College, Oxford, in 1929, and was recently chosen for the much honoured position of Warden of the College. In him we have a man of outstanding attainments and of wide experience of business problems.

Now I must ask you to forgive me if I refer to myself. I feel that the time has come when I should make way for a younger man to take on the chairmanship of this fine office.

To succeed me in the chair of the Institution after the annual meeting my colleagues have chosen Mr L. E. D. Bevan, who is a full-time working director of Barclays Bank. He has already been a member of our board for seventeen years, and his wide business knowledge and the experience he has gained of the conduct of the Institution's affairs eminently qualify him to occupy the position for which we have chosen him, and I wish him and the Institution every success during his tenancy of the chair.

FIFTY YEARS' DEVELOPMENTS

I myself joined the board of the Institution in 1906—nearly 47 years ago—and I doubt whether any similar period in the history of this country has seen so many and varied developments in industry and commerce and in opportunities for investment—quite apart from the calamities of two world wars.

In 1906 our total assets amounted to just £6½ million, compared with £20 million today. About one-third of this was represented by mortgages and policy and other loans; ground rents and properties accounted for about one-fifth and debentures for another one-fifth, and Colonial and foreign Government and commercial stocks for the balance.

A great expansion in the insurance company holdings of British Government securities took place during both great wars, through the support given to issues then made for the conduct of the war, and today about one-third of insurance company funds are so invested.

INVESTMENT IN ORDINARY SHARES

It was not until the 1930s that ordinary stocks and shares began to figure seriously in life office balance sheets. There are two main reasons which may have guided those offices, like the Institution, that have decided to invest a definite proportion of their funds in ordinary shares. The first is the increase in rates of income tax, to which the interest earned by life funds is subject.

The second reason is that in a period of inflation ordinary shares, properly selected and well spread, should create some "hedge" against the falling value of money. Normally during such a period dividends would increase, and would reach the with-profit policy holders through better bonuses.

The outstanding interest yields on our funds make an important contribution to the excellent rates of bonus which are now current, namely, £2 10s. per cent on whole-life policies and from £1 15s. per cent to £2 7s. 6d. per cent on endowment assurances.

We watch our investments with much care and I consider that it is indeed satisfactory that we can say, after two years of adverse experience with prices of most Stock Exchange securities, that there is still a substantial margin between the balance sheet values of those securities and their market values.

EXCELLENT TRADING RESULTS

The trading results of the year do not call for much comment on this occasion. We keep a close eye on our expenses and they remain on a moderate level. Mortality has again been particularly favourable. The rate of interest earned showed a further increase to the high level of £6 5s. 11d. per cent gross, or £4 14s. per cent net after deduction of income tax.

In this, my final address to you, I would like to say that I regard it as a great honour to have served as your chairman for 10 years.

BREVITT LIMITED

The fourth annual general meeting of Brevitt Limited was held on April 9th in London, Mr E. S. Harding (the chairman) presiding.

The following is an extract from his circulated statement:

The decrease in the Group's net profits to £73,042 for the year is due to several causes, namely, the general and exceptional decline in business available for the home market; stock losses due to the fluctuations in market prices of raw materials and, as a consequence, of finished goods; and thirdly, the lower margin of profit which resulted from the sudden introduction of the Douglas Scheme for purchase tax.

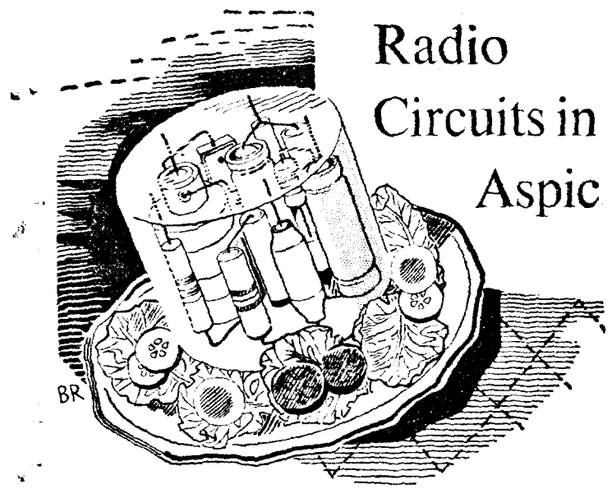
Everything has been done to combat as far as possible the adverse conditions and, notwithstanding such trading difficulties, by reason of the company's substantial export trade the factories have been and continue to be fully employed.

The directors recommend the maintenance of the dividend on the ordinary shares at 20 per cent, less tax.

Certain reorganisation within the Group has had the consideration of the directors and will take place immediately. The business of the subsidiary, J. A. Sabin Limited, will be taken over by a new subsidiary company to be known as Brevitt Shoe Manufacturers Limited. I am satisfied this reorganisation will have a beneficial effect.

Such reorganisation and the fact that trading conditions have now improved, at least temporarily, enable me to conclude with the expression of my belief that the company will be able to show a better return of profits at the time of my next report.

The report was adopted.



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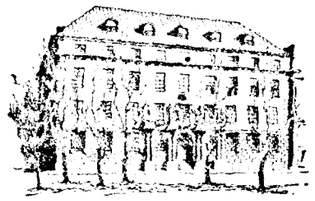
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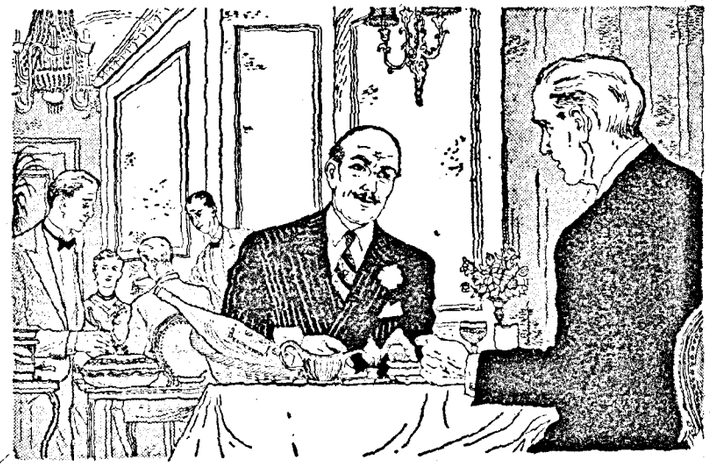


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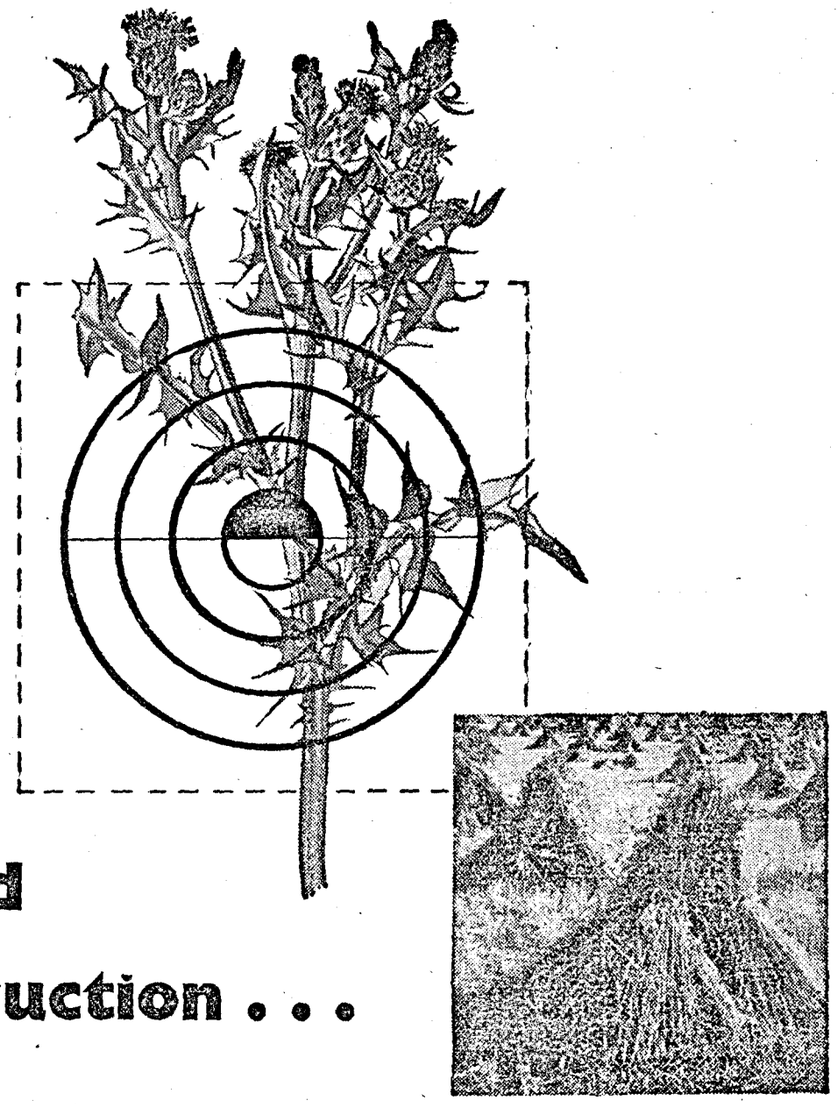
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APRIL 18, 1953

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Turn of the Fiscal Tide

A BUDGET is a political occasion as well as an instrument of economic policy, and it is safe to say that the majority of those to whom Mr Butler's speech was addressed on Tuesday were judging it by its probable effect on the course of politics. Its reception in the House of Commons was not as dramatic as last year's, when a House that had expected very little was gradually raised, as the Chancellor unfolded the bold prospectus of a revolution in economic policy, to a pitch of spontaneous excitement. This year a budget of concessions had been expected and the realisation therefore brought few surprises. But there can be no doubt that, from the political point of view, this is a more interesting budget than the last; there are fewer changes in overriding policy, but more remissions of taxation. When the response of public opinion can be measured, it will be surprising if it is not found that Mr Butler has given a new impetus to the rising confidence of the Conservatives. It is, indeed, a very difficult budget for politicians to criticise, as the glum Labour faces revealed on Tuesday and as the speeches on Wednesday could not conceal.

The political success of a budget, however, is not necessarily a safe guide to its economic merits. However much it may seem to the parliamentarian killjoy pedantry to do so, the economic tests have to be applied. Was the balance struck by the Chancellor between revenue and expenditure about right in view of the economic situation and prospect? And within that balance were the changes in taxation judiciously chosen for their fairness and probable effect?

Neither question, of course, can be given an absolute answer; both are matters of opinion. Last year, Mr Butler budgeted for a surplus on the conventional definition ("above the line") of £510 million; in the event he realised only £88 million. Or, to take the comprehensive figures that include all the operations of the Exchequer, both current and capital, whereas he expected to reduce debt on balance by £4 million, in fact he had to borrow a net amount of £436 million. The cardinal point to be decided in budget making this year was whether, in laying his plans for 1953-54, the Chancellor should be content to aim at a result something like that actually achieved, or whether he should try to restore the surplus that was originally intended. Mr Butler decided for the former course; his final figures show a surplus of £109 million "above the line" and a comprehensive net figure of estimated borrowing of £440 million.

This was a deliberate exercise of judgment. As Mr. Butler said, the necessary surplus "cannot be determined by exact calculation." In the briefest and roughest terms, his argument was that though last year turned out worse than was expected in the strict budgetary sense, it turned out to be at least as good in the wider economic sense. Though in the event the budget was over £400 million more inflationary than was intended, other forces happened to be unexpectedly disinflationary in at least equal measure. Some of these other influences were external and beyond the Government's control: "our

economy, like our island climate, is always exposed to changes in the world economic weather." Others were the direct effect of the tighter control of credit which, though it was announced in the budget speech a year ago, formed no part of the budget proper. Since a surplus of about £100 million had in fact proved to be compatible with an improvement in the national economic health in the last twelve months, it could be assumed to be good enough for the coming year.

There are certain risks implicit in this decision. It embodies an assumption that the non-budgetary factors will be broadly as advantageous in 1953-54 as they were in 1952-53—that is, that the terms of trade will continue to move favourably and that the restraining effects of dearer money will be as great in their second year as in their first. If the estimates prove to be as faulty as they were last year, there will be a dangerously large deficit. Some people might have drawn from these possibilities the conclusion that it would be prudent to seek a somewhat larger surplus, even if not as large as the £510 million originally intended last year. But the responsibility is on the Chancellor; and, as a working hypothesis, his judgment deserves the benefit of the doubt until events have proved it right or wrong. To [illegible] with it in advance would be an excess of [illegible]ism.

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This decision once made, the Chancellor had about £170 million of revenue to give away. But to what purposes should the reliefs be directed? Here Mr Butler's reasoning was impeccable: "the reliefs which I shall propose are designed to improve our competitive efficiency, to provide incentives for greater effort, and to encourage private saving"—or again "all reliefs are carefully designed for the prime purpose of giving the incentive for greater production."

Unquestionably, this is the right doctrine, and it is heartening to hear a Chancellor make it the central theme of his policy. Unfortunately, it has to be recorded that Mr Butler's practice fell a little short of his precept. Two criticisms in particular have to be made. First, if incentive and realism were his objectives, it is disappointing to find him making so little further progress in abolishing the subsidies. The food subsidies are to cost only £30 million less than the total of £250 million to which Mr Butler reduced them a year ago. This is the more surprising because last year's policy of cutting the subsidies has been a manifest success, not only in its economic effects, but also in political terms, since the initial odium incurred has been much more than outweighed by the popularity of the liberating process it has made possible. It was not unreasonable to hope that the budget speech would not only carry the policy to a conclusion but would begin to apply the same logic to the housing subsidies. The failure to pursue such an obvious advantage requires an explanation; and perhaps a hint of its nature can be gleaned from Mr Butler's declaration that "we shall work in the spirit that wherever appropriate the Government should do less and that the private citizen should be in a position to do more." If the process of de-subsidising is to be carried on piecemeal and *ad hoc*, it may give rise to fewer wage claims than if a large total of cuts is announced at one moment. This, however, is pure speculation; what is certain is that the restoration of economic health will not be complete until the subsidies are reduced to the basic minimum necessary for specific welfare purposes.

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The second criticism of Mr Butler's proposals is that, for all his talk of stimulating production, by far the greater part of his tax concessions in fact go to the relief of consumption, which already takes too large a part of the total national resources. He gave away £169 million of revenue in the present year. Of this, £45 million was the cost of the reduction in Purchase Tax. There will be little dissent from the view that a start needed to be made with the process of licking this monstrous tax into shape; but the fact remains that virtually the whole of this £45 million is a grant in aid of consumption. Of the £117 million that is to be knocked off income tax, only £45 million accrues to the undistributed profits of industry; the rest goes into individual incomes of one sort or another and, unless there is a radical alteration in habits, nearly all of it will be spent. The political attractions and administrative convenience of a straight cut in the standard rate of income tax are obvious enough. But it is a very blunt instrument. It benefits consumption more than saving, unearned incomes more than earned, single persons more than families. Mr Butler could have come much closer to his declared purpose if he had been more selective, in particular if he had concentrated his attention on the earned income allowance.

Broadly speaking, only one-third of Mr Butler's concessions of actual revenue go to industry and to thrift and the other two-thirds to consumption. No politician, of course, can afford wholly to ignore "the vital human element." But the proportions should have been reversed. It is true that the speech had two further pieces of good news for industry, in the shape of a restoration of the initial allowances for capital expenditure and the promise that the Excess Profits Levy will die at the end of the year. But neither of these will have any effect on industry's tax burden this year, nor much effect next year, either. Though the initial allowances are of real value to industry, they are, as has often been pointed out, no more than an interest-free loan, since whatever is gained in the early life of a piece of capital has to be repaid in the end. And the early demise of EPL may actually be the means of increasing its total eventual burden on industry, since there will now be no refunds if profits fall below the standard in 1954, 1955 or 1956. (This is not, of course, to say that the repeal is a mistake; almost any price is worth paying to get rid of this fabulous piece of fiscal nonsense.) There can be no doubt of Mr Butler's sincere desire to help industry. But if the test is (as it must be) the effect of his proposals on the actual amounts of money that have to be set aside for taxation, now or in the future, they can only be called a small beginning. The greater is the hope that will attach to the promise that "before the next budget . . . it should be possible to make a full review of the level of taxation, and of industrial taxation in particular, in the light of the Royal Commission's report."

Mr Butler's second budget is thus not without economic blemishes to set alongside its great political attractions. But possibly to particularise them in this way is to run the risk of giving a false impression. For the budget's greatest merit is one that cannot be put into figures. It marks a change of direction, a turning of the fiscal tide. This year's proposals, with the world standing at what promises to be a watershed, and with the British system of taxation under review, were bound to be of an interim character. Whatever criticisms may be made of their details, they have the great recommendation that they mark a determination to "step out from the confines of restriction to the almost forgotten but beckoning prospects of freer endeavour and greater reward for effort."

Under the Olive Branch

THE speculation caused by recent Soviet gestures, especially in the United States, seems to be making a bold and dangerous assumption. It is that Malenkov and his colleagues are now, or soon will be, able to offer new and specific terms for the settlement of international problems which must cause much heart-searching and irresolution in the West. It is not difficult to see how this has come about. It had been obvious for long enough that Stalin, in order to check western rearmament and detach the United States from its friends, would be well advised to do, as well as say, a few friendly things. For reasons at which we can only guess he chose not to do them, and so the Atlantic alliance grew up out of fear and suspicion of his attitude. Now that his successors show signs of changing that attitude, it is argued that they must have seen the opportunity that Stalin missed and are willing to make to an armed alliance the concessions that he would not or could not make to a weak and disunited West. The *non sequitur* is flagrant: because Malenkov has instructed his representatives abroad to behave more reasonably, it does not follow that he has decided, or is free to decide, more than that. Indeed, the evidence of statements in the press and radio, for what it is worth, has been that the new Soviet manner does not yet express a fresh policy abroad, even if fundamental changes are in progress in Russia itself.

The more closely one examines the kind of intentions with which the Kremlin is now being credited, the clearer it becomes that any real appeasement of the West—with the concessions that Stalin refused—would present Moscow, no less than the western capitals, with a host of grave difficulties. The moral is, of course, that negotiating strength and policy positions cannot be accurately judged until the negotiators are round a table.

To take first the prospect in Germany, which is agreed to be the most important and difficult issue between the two camps. Malenkov's advisers could argue, from the record of previous four-power talks, somewhat as follows: if the West were now offered properly supervised free elections for an all-German government, with which the four powers would conclude a peace treaty and afterwards withdraw their troops, then present western defence policy would collapse like a pricked balloon. The Germans, it could be urged, would turn swiftly away from Western Europe to the new possibilities offered by national unity; the American and British forces would have to retire to new garrison positions west of the Rhine; and the whole strategy of Nato would need review. It is a formidable prospect, but is it any more formidable than what would confront the Russians? Would nothing collapse on their side of the iron curtain? To set such events in train could mean a spectacular end to Communist rule in Eastern Germany, the withdrawal of Soviet forces from Central Europe, and the end of their stranglehold on Berlin. It could mean, too, an end to the Soviet insistence that the Oder-Neisse line between Germany and Poland should be regarded as the final, inviolable "frontier of peace"; for no freely elected German Government, whatever the inducements, could formally recognise that frontier and renounce the lost territories. Such a collapse of a "people's democracy," such a weakening of the hold on German affairs, such a betrayal of solemn pledges to Poland could have in Eastern Europe—perhaps in the Soviet Union itself—effects that are unpredictable.

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It may be that the Soviet triumvirate feel themselves strong enough to take such far-reaching risks. If they do not, then they must feel some alarm at the assumption of western commentators that they have some such offer in mind. In fact, we do not know whether they are thinking of doing any such thing, whether they could afford to do it, or whether they need peace at any price. To argue, in the absence of such evidence, that this would be the quickest and therefore the most likely way to get the Americans out of Europe and to split the Atlantic alliance is to ignore Soviet difficulties and to

conjure up for the West a distracting and confusing phantom.

In Korea, too, there is a crucial situation with which speculation is busy, but one in which negotiation is just about to get down to brass tacks. It is being said that the agreement to exchange sick and wounded prisoners is only one result of Malenkov's conciliatory initiative and that the Chinese are doing what the Russians, as part of a general plan, want them to do. The evidence, however, points the other way: it is that Stalin's death strengthened Mao Tse-tung's bargaining position in Moscow, that a nervous—and perhaps disorganised—Kremlin granted him some of the economic concessions he had so long been asking for and that it then became unnecessary for China to pay the price of continuing the costly Korean war, the objectives of which might be secured by patience and political means. It looks, in short, as if the bid for peace in Korea comes primarily not from Moscow but from Peking. It looks, too, as if the chances of a settlement depend on whether China, with its North Korean allies, can come to terms with the United Nations and not on the possibilities of a general *détente* between the Soviet Union and the Atlantic alliance. This is not, of course, to deny that the Soviet Government will continue to have a great deal to say about the future of Korea, about China's relations with the United States, about the future power of Japan, and—above all—about industrialising China and integrating it with the Communist economic bloc. But it is highly doubtful whether settlement in the Far East depends on settlement in Europe.

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If, in these two important aspects, much current speculation turns out to be premature and ill-grounded, what is to be said of the view that the western time-table, its agenda for the next few months in Europe, in Nato, in Congress, is in danger of delay even of complete frustration? It is clearly within the power of propaganda, if French political leaders try to resist it, to convince a majority of French deputies that Moscow might offer an alternative to the European Defence Community and the rearmament of a divided Germany. That would be sufficient to delay French ratification of the treaty for a defence community, to postpone decision until the autumn; then elections in Western Germany, also held in the shadow of doubt about Soviet intentions, might turn against the policy of integration with Western Europe that Dr Adenauer has just reaffirmed with such emphasis. These things, it is true, might happen; it has already been shown how easily a feint from the East gets the West off balance. But what is the use of speculation about them so long as it is not known whether the Russians would permit the rearmament of a united Germany in order to please the Germans or refuse it in order to please the French? To give equal satisfaction on both sides of the Rhine is, as the Americans and British have learnt, wellnigh impossible.

There is yet another major problem to which Soviet propaganda, and Malenkov himself, have given marked attention but which western speculation has virtually ignored. It is clear that the Communist bloc of seven hundred million people could achieve industrialisation and living standards on the western model much more quickly if all restrictions on trade with the free world were removed. The economic progress of Eastern Europe, whatever the planners may think of it, has not come up to the expectations of either rulers or ruled. The speedy industrialisation to which China has—with Soviet encouragement—pledged itself is a task of colossal dimensions, almost certainly beyond the technical resources of the Communist nations alone. If Malenkov has economic aims nearest his heart—and there are obvious reasons why he should—then it may well be that the first specific approaches to the West from Moscow will come in the field of trade and finance. It needs little imagination to foresee the soft spots in Europe at which these could aim:—for example, German industry's search for new markets, particularly in under-developed countries. In this economic field the Russians would have little to lose and much to gain, whereas in the field of political and military settlement they have much to lose as well as to gain.

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In such doubtful circumstances the wise course for the Atlantic Alliance is to stick to its time-table and go on with its agenda. By doing so it can at least progress towards equal, as well as peaceful, co-existence with the growing giants of the Communist East; by doing so it may eventually succeed in getting Moscow to reveal its terms. By pausing to see what the Russians may say—still worse, by pausing to think aloud what should be said in reply—the western governments would merely make it unnecessary for Malenkov to reveal or do very much. That is not to say that they should do nothing. If the Russians make small, human and reasonable gestures such as the British Ambassador has been discussing with Molotov, then other gestures should be made in return. But they should be on the same scale; one does not exchange an embrace for a bow. At the same time the allies would do well to study together, through diplomatic channels and in the strictest secrecy, what would be their agreed terms for general and particular negotiation with the Russians. For it is as clear as anything can be that the reason why some people in the West are a little nervous of peace—and they should not be ashamed to admit it—is because a serious and reasonable Russian peace offer made now, whether in Europe or the Far East, would reveal differences of view and interest among the allies which they have not seriously tried to resolve because it has not been necessary to do so. If ever there was a time for the West to practise secret diplomacy, and to put a curb on wishful public speculation, it is now.

Perón at Bay

THE suddenness and intensity of the new crisis in Argentina came as a shock not only to General Perón but also to many more dispassionate observers. In the first weeks of 1953 the Argentine economy, however shaky at bottom, seemed to be looking up. Bumper grain crops had appeared just in time to prevent a grave shortage of food and the complete paralysis of the country's export trade. White bread was back, and "meatless days" seemed a thing of the past. The regime of austerity imposed early in 1952 had gone some way towards closing the national gap; currency in circulation and gold reserves were at last showing signs of stability, and wages and prices were no longer chasing each other skywards at jet speed. The President's perennial optimism seemed for once to have some basis in reality, and his government was not slow to exploit the occasion. In Buenos Aires and Europe Argentine negotiators, with some strong cards in their hands, were briskly discussing or renewing trade agreements with half a dozen countries. Chile and Bolivia were apparently moving meekly into Argentina's economic and political orbit. The change of administration in Washington at least meant the disappearance of men from whom General Perón could expect nothing, and might mean even better things.

Broadcasting to his subjects in mid-February, the Argentine President assured them that conditions had never been more favourable to the *Peronista* movement. He thanked the workers for the sacrifices they had made in the past year, and declared that Argentina, thanks to those sacrifices, had emerged from its difficulties. His gratitude was no doubt sincere enough. In the course of twelve months the organised workers, who had once been led to expect so much from *Peronismo*, had experienced not only a wage freeze, and a steeply rising level of unemployment and short time, but also the disappearance first of their accepted champion, Eva Perón, and then of her most vigorous lieutenants, men such as Sr Espejo, who was succeeded as secretary-general of the trade union front by the docile Sr Vuletich. General Perón may well have felt that if he could weather a year as difficult as 1952 without running head-on into serious labour unrest, he could ignore the Cassandras who held that a split between the government and the workers was inevitable.

At all events, the President felt sure enough of himself to be rather more frank with his people than usual. In a series of broadcasts on the new five-year plan, he abandoned to some extent the pretence that the austerities of 1952, the year between the plans, had been only a temporary necessity. From a cloud of magniloquent phrases, he let drop some disconcerting facts about the next five years. The plan, he revealed, required every consumer to avoid waste in any form; to buy Argentine, not imported, manufactures; and to adjust his eating habits in the direction of fish—a change which most Argentines are most reluctant to make. Specifically, General Perón disclosed that the new plan involved a definite restriction on consumption of beef, together with a concentration on the export drive.

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There was no immediate reaction to this or to the government's other indications that the new plan would be arduous and uncomfortable for the ordinary Argentines. They were, after all, no more than indications, and the public's attention was mainly directed to more cheerful developments—the economic agreement with Chile, the bumper grain crops, the record wheat deal with Brazil, and the revival of the chilled meat trade. The President was able to claim that the country was now politically calm, a fact which he attributed to the defeat of the Democrats in the United States. Looking around him, he can indeed have seen few signs of even potential opposition. The anti-*Peronista* parties and newspapers were virtually silenced; the army had been systematically purged since the abortive coup in 1951, and officers who continued to appear restless were regularly cross-posted to prevent the formation of rebellious cliques; Señora Perón's fierier friends had been weeded out, and replaced by men whom the President felt he could handle; and the police had been considerably strengthened. Even the farmers, who had suffered so much at the hands of the regime, seemed more inclined to co-operate; towards the end of March General Perón publicly thanked them for their support of the government's drive to increase grain crops.

Beneath this calm surface, however, several quite distinct currents were coming together to foment trouble. As in past years, nature could be allotted part of the blame. Recent months have been unusually wet on some of the pasture lands, and breeders who would normally have had to send their cattle to slaughter for lack of grass have been able to hold them back. They have done so partly because they need to rebuild herds which drought and *Peronismo* have reduced from 41 to about 27 million head (the results of the livestock census taken in November have been withheld, but they are believed to confirm the more pessimistic private estimates); and partly because they have not been attracted by the fixed prices in the Buenos Aires market. Official mismanagement has made matters worse; prices at provincial markets have not been held down as rigidly as those in the capital, and such beef as was forthcoming has therefore gone to the inland cities rather than to Buenos Aires.

The resultant shortage of meat had become serious as early as the end of February, and at the beginning of March packing companies were told that they must fulfil fixed quotas for the home market before they could export. This rule, however, was not fully implemented. Some shipments continued, and public discontent was increased by the grumblings of dockers who, although unable to get meat for their families, had to carry it to the ships. At the end of March all beef exports were indefinitely suspended; but even so the shortage in Buenos Aires continued, and only those who could afford to pay black market prices tasted the traditional Argentine diet, while the prices of other basic foods rose sharply in sympathy.

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The pace of events then accelerated. On April 1st General Perón lashed out at the farming community whose praises he had been singing only a few days before, and assured them that he would use troops to storm the cattle ranches if beasts were not immediately sent for slaughter. He also announced drastic action to be taken against speculators in foodstuffs. A corps of inspectors descended upon the capital's food shops, and by the beginning of this week some 500 shopkeepers were in the central gaol. These vigorous moves were obviously popular with the urban masses, and they have been followed by an increase in the amount of beef available in Buenos Aires—although this was largely achieved merely by lifting the price ceilings by some 15 per cent. Thus, when the government arranged that the workers should be given a holiday on Wednesday and brought to the Plaza de Mayo to demonstrate their loyalty, it felt confident of the outcome.

But the fact that this demonstration was thought necessary showed how deeply the crisis had affected the regime. It was much more than a shortage of meat. In recent weeks, confidence in the government has been sapped by two distinct waves of rumour, one alleging that the *Peronista* leaders were at loggerheads and the other charging them with corruption on a vast scale. Substance was given to the first belief by the expulsion from the governing party of Colonel Mercante and seven other leading figures, and by the resignations of the Minister of Labour, Sr Freire, and the President's secretary, and brother-in-law, Sr Juan Duarte. The subsequent suicide of Sr Duarte increased suspicion that the corruption charges were well founded, and although the President himself attended the state funeral the army leaders were conspicuously absent. General Perón took the talk of corruption seriously enough to announce that he had ordered an inquiry into the personal assets of all public officials, beginning with himself and his ministers, but the prevalence of rumour was officially attributed to the opposition parties and the expelled *Peronistas*, who were said to be jointly attempting to overthrow the government.

Yet, despite his talk of "a major attack by internal enemies," the President has shown signs of realising that, at bottom, his troubles are due to the fact that the regime has lost contact with its former supporters. In a bitter broadcast last week, General Perón called his people a nation of "eighteen million *estupidos*" who allowed themselves to be robbed by profiteers and misled by rumour-mongers. The people themselves, he said, were mainly responsible for the high cost of living. But he admitted the seriousness of growing unemployment, and promised that steps would be taken to "reactivate" industry and refill the worker's pay packet. No clear indication of how this is to be done has yet been given. Industry is in the doldrums because it cannot carry the heavy load of labour privileges; because it cannot import machinery, fuel or materials owing to Argentina's lack of foreign exchange; and because the government has not only failed to ease credit restriction but has even failed to pay its own bills. All these difficulties are the fruits of Perón's policies; and whatever solution he may find for his problems must involve a further tightening of belts.

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The Argentine has had to tighten his belt before, and last year he did it without protest. If he is now more restive, the reason is that the regime has reached a point in time when its magic no longer operates. Señora Perón died nine months ago, and the intensive period of mourning, which in itself served as a distraction, is over. Not only have the urban masses lost their lady bountiful; they have also realised that the austerity which, trusting in her, they accepted last spring as an emergency measure, is to remain with them indefinitely. They suspect the bereaved President of a tendency to the right, and it is unlikely that they can be appeased for long by the mass arrest of shopkeepers. Among the very poor and very simple there is still faith in the regime, but the artisan and lower middle class elements which once lent strength to *Peronismo* have got near the end of their tether. The food shortages and rocketing prices of the past few weeks served as sparks to this dangerous tinder.

There is as yet no clear sign that the government's days are numbered. If General Perón has succeeded in nothing else he has at least made it difficult for his people to find any alternative to him. But the latest crisis has revealed exactly how shaky his position is. There are now no cushions on which to fall back if fresh difficulties appear. Both internationally and internally, the government's funds are low. It has lost the faith of many of the workers, without restoring that of the business men, the farmers or the soldiers. Appeals for national solidarity in the face of imagined threats from abroad are of little use when the nation's problems are so obviously internal in origin. There seems only one alternative: the increasing use of police methods. It may not be long now before General Perón's police, instead of marshalling demonstrators on the Plaza de Mayo, are busy keeping them off it.

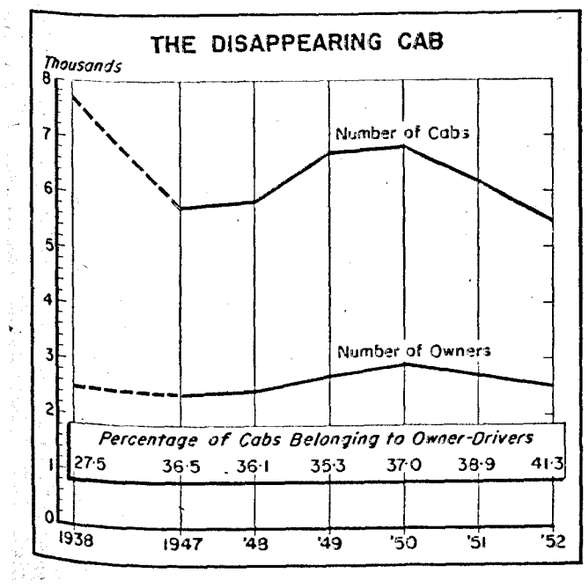
Taxis and Taxes

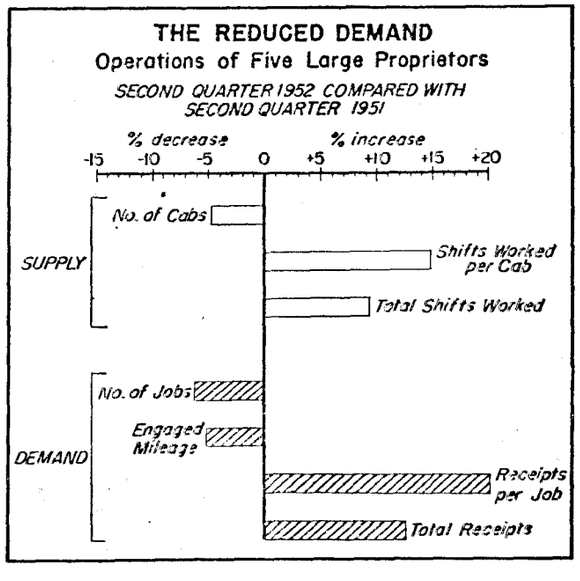
THE Runciman Committee has said hey presto and the purchase tax on taxicabs of the London model has vanished in a puff of budgetary smoke. So too have restrictions on their hire purchase. It does not often happen that the recommendations of an official committee are carried out in less than a week. But the need was urgent, so sharp has been the fall in the number of London cabs since the end of 1950. It was then 6,800; now it is 5,400.

The taxicab trade is a classic case of one that consumes its capital in a time of rising costs. If depreciation is reckoned on the current cost of replacement, rather than the actual cost of the old cab, most of London's taxis would probably be shown to run at a loss. When cabs are too old to pass the annual police inspection without unduly expensive repairs, owners have therefore lacked the capital to replace them. The price of a new cab, until last Tuesday, was £1,139, compared with £355 before the war. Nearly £300 of this sum was purchase tax, which Mr Gaitskell had doubled in 1951 to a rate of 66⅔ per cent. Mr Butler added to the terrors of replacement a year ago with his restrictions on hire purchase. These were afterwards relaxed so that payment, instead of being confined to 18 months, could be spread over 30 months; but even this was hardship compared with the five years that was normal before the war. It is not surprising, therefore, that the number of new cabs licensed in London fell from 960 in 1950 to 698 in 1951 and to 132 in 1952. (Figures for the provinces are not known, but the position is probably quite different, partly because traffic conditions are better and partly because provincial taxis do not have to comply with costly technical requirements as London taxis do.) At the present rate of demand for new cabs of the London type it is hardly worth while to manufacture them, and the only firm that still does so was making plans to cease production.

The Budget will revive the demand, but whether it will raise it to as much as 1,000 cabs a year (including some for the provinces), which the manufacturers say is the minimum economic output, is another matter. Certainly the concessions will cause no universal rejoicing in the trade. Indeed they have brought to light a lack of solidarity within its ranks that is an oddity in this highly organised world. Those, on the one hand, who drive their own cabs seem quite satisfied with Mr Butler; but the cab proprietors, the fleet operators, as well as the men who drive the proprietors' cabs, are breathing fire and fury.

The men—the journeymen drivers—are wrathful because neither the report of the Runciman Committee nor its implementation by the Chancellor of the Exchequer has anything for them. They complain that their earnings have not kept pace with the rise in the cost of living and with the earnings of other workers. But they cannot claim a rise like industrial workers, for they are technically self-employed persons. They hire their cabs from the proprietors and pay for the hire, according to the present agreement, by handing over 62½ per cent of the fares. The proprietors pay all the running costs, including petrol. According to figures supplied in an appendix to the report, the average journeyman driver does 17 jobs a shift (or day's work) at 3s. 4d. a job. After paying the proprietor his percentage, he thus retains about £1 1s. a day, and to this must be added tips worth not less than 10s. even if the





average is as low as 7d., as well as the extras for luggage and for more than one passenger. That does not seem bad pay. If the drivers want to increase it they must negotiate, through the Transport and General Workers' Union, for a higher proportion of the fares than the 37½ per cent they now get. In 1950 they did push up the percentage from 33⅓ per cent, and any further increase is out of the question unless there is a radical change in the financial position of the proprietors.

The report's assumption that the proprietors are running their cabs at a loss is based on figures supplied by five large companies. It appears that running costs are just over 8d. a mile, of which nearly 5d. goes on petrol and repairs, and 1½d. is for depreciation, based on the recent replacement cost of £1,139 and an 8-year life. The remaining 1½d. covers the fixed costs and overheads. Against these running costs of 8d. a mile, receipts of the five proprietors averaged only 7¼d. a mile. Not one of them showed a profit.

The fact that so outrages the cab proprietors is that the proposals of the Runciman committee will not eliminate this loss. The abolition of purchase tax on new cabs reduces the cost of depreciation by about ¼d. a mile, and still leaves an average loss of ¼d. This suggests that London taxis will continue to go out of business. But the committee faces the prospect blandly —indeed, welcomes it as the way to make the trade profitable again ; when some taxis are starved out the survivors will do more business to the mile and spend less time on empty cruising. The cab proprietor complains that, on the one hand, the service he provides is regarded by the committee as essential to London's status as a business and tourist centre ; and that, on the other hand, he is told that he can go on making losses for the next few years, until his financial troubles right themselves. He also feels aggrieved because the abolition of purchase tax only helps those who are shortly to buy new taxis ; it does not make cabs bought since the war (about two-thirds of the cabs in London) any more profitable.

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The strength of the proprietors' case is weakened by the owner-drivers' apparent satisfaction with the Budget concessions. In evidence before the committee they did not say that they could not make a living ; and although they would, of course, have been delighted with a rebate on petrol duty (the proprietors' proposal), their two main demands have now been granted. Most of them would account for the difference of view with the proprietors by saying that the owner-driver is likely to be more efficient than the journeyman driver. As the proceeds of his efforts are all his own he has a greater incentive to be at the right place at the right time, and that is very important to successful plying. He also has more opportunity to be at the right place at the right time, for he works when he likes and not to fixed hours as the journeyman driver usually does. He inclines to the view that the proprietors do not seem to know when they are making a profit, whereas the proprietors say that the owner-drivers do not know when they are making a loss. Here the proprietors seem more likely to be right. The owner-drivers produced no figures for the committee for the simple reason that most of them keep no books. They may be content to find that they have £15 or so in their pockets at the end of the week and probably make no proper allowance for depreciation. But at least the evidence suggests that they are finding the trade more profitable than the proprietors, for, as the chart shows, the proportion of owner-driven taxis to the total—now 41 per cent—has been rising.

Even the proprietors, however, have some remedies in their own hands. Their fares are controlled by the Home Secretary, but they could apply to have them raised. But neither they nor the committee think this would be wise. It might reduce custom, so that the higher fares would be offset and receipts remain roughly as before. If it cannot increase its receipts by higher fares the taxi trade's efforts must all be directed to raising the proportion of engaged to disengaged mileage. The use of radio equipment (hired from one of two companies, which do not themselves own taxis) is one way of doing this ; the customer telephones a control point, which sends the radio-taxi nearest to him. This device is limited by the number of frequencies that the General Post Office can provide and the number of cabs that can be controlled on one frequency. There is, however, scope for far more than the 430 London taxis that are now equipped with radio. Another way of keeping within call of the customer, and at the same time of wasting less petrol by cruising, is to provide more cab ranks. This is limited by the state of London traffic ; but better use could at least be made of existing ranks if it were easier to telephone them. The committee suggests that an intending customer should be able to dial something simple, like CAB or TAX, and then be put through to the nearest rank. This is done in other cities, for example, in Amsterdam. It is badly needed in London, and the Post Office should co-operate with the cab trade in providing the facilities.

Here is one way in which the Government can add to the help that it has just given in the Budget. But that is the only other kind of help it properly can give. The committee was quite right to turn down the proprietors' proposal for a rebate of petrol duty and to reject, too, the proposal to limit entry into the trade, which would be particularly inappropriate when the number of cabs is in any case falling. It is in the public's interest that anyone who can run a taxi profitably should be free to do so. It is, indeed, convenient for Londoners that there should not be fewer taxis, but there is no reason why the Government should grant special favours in order to keep more on the streets than the public is prepared to pay for. Mr Butler has gone far enough, and the taxi trade should be thankful for mercies that are not only large but are also prompt.

Notes of the Week

Mr Dulles Thinks Aloud

HOPES of a truce in Korea have already begun to show that what might happen after it had been concluded is far from clear. The drop in Communist pressure has already begun to reveal, like an ebb tide, the rocks of allied disagreement on Far Eastern policy, until recently more or less covered by the swell of war. The furore in Washington over the calculated dinner indiscretions of the Secretary of State, Mr Dulles, has outlined the difficulty in which the Administration stands. It cannot, on the one hand, make concessions without arousing the wrath of the China lobby. On the other, if it pitches its terms too high, it will prejudice that unity of allied approach which is still essential in bargaining with the Communists.

American public opinion being in the state it is in, Mr Dulles was in fact doing some useful and necessary thinking out loud. He suggested that, if a military truce could once be reached in Korea, the subsequent political negotiations should no longer be confined solely to the future shape of Korea. The time had come, as President Eisenhower has publicly indicated more than once, to try to include the wars in Indo-China and Malaya on the agenda. Where Mr Dulles caused the most dismay in the Republican party was with his hint that Formosa might have to come under United Nations trusteeship. This implied giving up positive support for Chiang Kai-shek's claim to be the government of China. Mr Dulles was careful not to propose recognising the Chinese Communists in return, but he is reported to have commented that after a period—admittedly, perhaps, a long one—the claims of the Peking government to be admitted to Uno might become strong. These are bold words in the United States.

If these sentiments upset some of his supporters, Mr Dulles can hardly have expected an easier passage with America's allies in a number of his remarks about Korea itself. He suggested that, if Korea cannot be united, then the split between North and South should be at the narrow waist about 100 miles north of the present fighting line. This would put 85 per cent of the total Korean population in the South, and give Mr Syngman Rhee's Republic important sources of hydro-electric power. But can one really suppose that the Communist powers would be prepared to give up this amount of territory ? It is one thing to put up a counterweight to concessions over Formosa and to bid high, but another to expect the other side to yield actual territory, as a result of the apparent decision to relax tension ; there has been no instance of the Communists surrendering territory, except when forced to, since the Russian army pulled out of Manchuria after the end of the war against Japan.

There are two important things on which the United Nations have to decide before anything else can be done. The first is whether unity of the country is possible in present circumstances. The second is the type of guarantee that can be given to prevent a repetition of the events of the past seven years. Mr Dulles in effect brushed unity aside by presupposing a partition at the waist. But is it necessarily against the interests of either side to reunite Korea ? Uno is theoretically committed to unity as an aim of the campaign, though a truce would obviously not now be held up because it could not be obtained. The Communists might well argue that if, by unity, they could ensure the withdrawal of American troops, the gamble would be worth while ; they might in the end infiltrate back into complete power. Clearly, if there are to be two Koreas, Mr Dulles was right to suggest that the South should now be given a public American security guarantee.

Where Mr Dulles's conversations may have started an unfortunate precedent was in discussing so openly the aims and interests of the allied powers. It is true enough that Korea is now a lively issue in America and in the other UN countries with troops there ; public opinion must therefore be kept fair and square behind allied policy. But governments should beware of talking too indiscreetly until they have cleared their own minds about what is agreed policy.

Trade on Whose Terms?

THE experts from western and eastern Europe who have been discussing mutual trade at Geneva this week were pledged to secrecy by their host, Mr Myrdal of the Economic Commission for Europe. It is possible, however, to deduce some of the general trends involved in the talks. For reasons that have often been discussed in *The Economist*, the Soviet Union and its satellites have hitherto shown little readiness to increase the direct exchange of goods between the two halves of Europe. The only practical ways for them to expand trade are to increase their own deliveries of the products which the West most desires and to halt the cold war. This the Russians have shown no inclination to do. The east-west trade theme was a useful propaganda device and little more. In recent weeks, however, the Soviet authorities have elevated east-west trade to a first principle of Soviet foreign policy, and there are grounds for thinking that their intentions are more serious than usual.

The new emphasis may or may not signify a willingness to make practical economic and political concessions, but the reasons for the shift are fairly plain. Even the outsider can see that it is hardly conceivable that the resources of the sphere can be stretched to meet all the competing demands

now made upon them. With an annual steel output at its disposal of perhaps about 45 million tons all told, how does the Soviet Union intend to carry out its avowed aim of simultaneously strengthening its armed forces, proceeding with the industrialisation plans of both the USSR and the satellites, raising the Soviet standard of living—and helping to industrialise China ?

Perhaps the essential fact is that China has set its heart on industrialisation, and the essential question is who shall provide the equipment and the credits. Clearly, the Soviet Union cannot handle more than a limited part of the job ; although the new Sino-Russian economic pact provides for more tangible deliveries than the Chinese have yet had from Moscow, it has now lessened Peking's anxiety for supplies from other sources. Equally clearly, the Russians have no wish to see China find in Japan or the West a source of supply that would free it from dependence on Moscow. Yet the only thing that prevents China from trading where it pleases is its identification with Russia's aggressive policy. This is a most delicate situation for the Kremlin to handle. Its ideal solution to the problem is to channel all China's trade with the free world through the Russian-controlled "Comecon" organisation. The setting up of the main Chinese trade office in East Berlin, and the boycotting of traditional channels such as Hongkong, are integral parts of the scheme, which not only keeps the Chinese on a leash but also gives Moscow a new hold on, for example, Germany. In these circumstances, for the West to agree that its trade with China should pass through Big Brother's hands is to help cement the Communist bloc.

Budget without Offence

THE Opposition has six days in which to marshal its general case against the Budget ; and since Mr Bevan has been chosen to make the concluding speech on Monday evening, it would be rash to assume at this stage that no real party controversy is going to develop. But certainly the Labour party has been hard put to it to work up any indignation or even sustained criticism.

The efforts to identify Mr Butler's workmanship with a "class" Budget have so far had a strangely academic flavour. It is, of course, true that the reduction in income tax benefits a man more the larger his income and the more of it is unearned. But no one seriously regards this as a sinister Tory design. It reflects the bluntness of changes in the standard rate as an instrument for improving incentives, and the rich are too few, and taxed enough in any event, for most Labour MPs to feel strongly against a little incidental benefit for them. The "class" criticism would have bite to it only if the Budget made some people worse off while reducing taxes for others. And this, the Opposition is lamenting, is precisely what Mr Butler has studiously avoided. He has helped the lowest incomes to only a slight extent, through the reduction in purchase tax, but he has not hurt anyone at all. Complaints about the way the Chancellor has distributed his reliefs therefore lack political sting, and the Opposition has no other ground to manœuvre on. It does not want to risk unpopularity by saying that Mr Butler should have kept taxation higher. On the other hand, to say that the tax cuts are not enough would be to admit that the economic position has improved marvellously since the Conservatives took charge. If any political fireworks are concocted in this situation, they are likely to damage their creators more than the Chancellor.

The Opposition's helplessness is reflected in the comment that Mr Butler has devised an election Budget. There is a negative sense in which this perhaps conveys an element of truth. The Budget avoids offending anyone ; it creates no barriers to an autumn election if by then the Conservatives should want to appeal to the country. That they will is possible, but not yet more.

Liberalising Agriculture

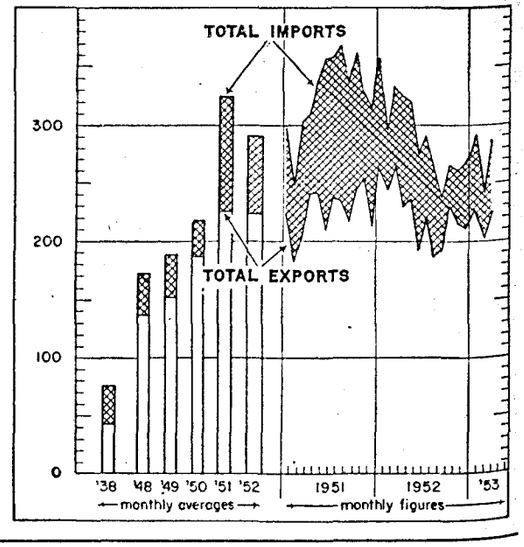
IN adopting a motion for the gradual abandonment of the control of agricultural prices and markets, the Liberal party assembly showed a refreshing ability to return to, and reconsider, first principles. But it may be questioned how far a party that depends for most of its remaining electoral favour upon country districts is wise in selecting this issue to diverge so signally from other party platforms. The objection was quite properly raised that the new policy was not one on which Liberalism could fight an election. The electorate may be pardoned for concluding that the Liberals are less interested in fighting elections than in tilting at windmills.

Liberal speakers who insisted on the importance of retaining some free, independent, middle of the road members in Parliament were on solid ground ; but to re-adopt principles (however softened by the word gradual) that might have the effect of reducing the number of such members further is to confuse priorities. Political parties exist to win and exercise power, and the way to do this is to champion real, not lost causes. A free market in agriculture is, regrettably, a lost cause. The practical problem is to find a way to remove fixed prices, and to restore enterprise to farming, while providing for farm products floor prices no more than sufficient to safeguard the countryside against disasters. Intellectual concepts do not directly convince electors, as Liberals have had reason to learn from their free trade doctrines in the past. The countryside wants security—and it is increasingly hard to argue that the national interest does not require it too. If a sturdy minority of farmers, with costs well below the rest, does not think that the present agricultural price system is necessary, they certainly keep fairly quiet about it.

The high cost of food provided Liberals with ammunition to enable them to win and keep power—but that was over a hundred years ago. It is still a real issue—but it must be approached in a way that suits the times. The return of competition to agriculture is of the greatest importance, but the closed shop in agriculture is not a thing to be tackled by sweeping generalisations. That can only too easily make a present of more Liberal votes to the Socialists and Tories.

THE UK TRADE GAP

£ MILLION



Dr Adenauer's Mission

DR ADENAUER can count his visit to Washington as highly successful, even if concrete results are few at the moment. He appears to have received an assurance that the United States will not come to an agreement with the Soviet Union at the expense of Western Germany, and he himself has restated his conviction that even the reunion of the Federal Republic with the present Soviet Zone should not prevent Germany from entering the European Defence Community. He also pointed out that a United Germany would inevitably be drawn right into the Soviet orbit if the country were neutralised and concluded a new Rapallo treaty with Moscow, pledging it to close economic cooperation with the eastern bloc. Such ideas appeal in Germany, even to the most anti-Communist circles.

It is a remarkable indication of Germany's new prestige, not at all welcome in France, that something like terms for Moscow should have been announced as the result of talks held exclusively between Dr Adenauer and President Eisenhower. The joint communiqué issued after the Chancellor's visit laid down two things that Malenkov and his colleagues should do to show that they genuinely want peace and unity in Germany: they should allow free elections, and should return German prisoners of war and deported persons now held in the Soviet Union. These are, fortunately, terms with which the allies of the United States can agree; but this was hardly the Atlantic method of formulating them. The episode underlines the need for continuous joint consultation, which will include the Germans themselves but will not exclude other allies.

The difficulties that the Russians would face in allowing free elections are referred to elsewhere in this issue. As for the German prisoners—some hundreds of whom are generals and high-ranking officers—it has always been clear that they are held as valuable hostages. Some quite substantial concessions from the West would be required by Moscow before they would be released to become part of a German army allied to the United States.

Bargaining with the Caudillo

WHATEVER one's views may be about General Franco's politics, there is no denying that he is a patient and cunning negotiator. As Hitler discovered before them, the Americans are finding out that to get anything out of the Caudillo is like staying at the proverbial Spanish inn: one has to bring along whatever one hopes to find there. When the Republicans took over in Washington, the draft of a treaty with Spain was supposedly ready for signature and the new administration looked forward to concluding negotiations that had been dragging on for well over two years. Repeatedly, during the past few weeks, American officials, ranging from General Vandenberg to Ambassador Dunn, have hinted that a Madrid-Washington pact was ready save for a few finishing touches. On Tuesday, however, General Franco arrived in Seville for a holiday, and there is every indication that any sense of urgency that may exist about the negotiations is to be found among Americans rather than in Madrid.

This is not merely part of the Spanish bargaining tactic ; it reflects the strengthening of Franco's hand. Fears of a protracted drought and of a setback for Spanish agriculture have been calmed by a spell of wet weather. Spanish trade prospects are improving continuously, owing to new agreements with France and Germany and active propaganda in the Middle East. The fact that the Catalonian cotton-spinners have received a 12 million dollar credit from the Export-Import Bank with which to purchase cotton in the United States shows, moreover, that Spain can make its claims heard even before signing a formal treaty with Washington. It is not known, at present, whether the hitch in the negotiations is caused by Franco's raising his price or by disagreement about the duration of the treaty beyond the sixteen-year period originally envisaged. One thing, however, is clear: General Franco is proving that governments which put national independence above everything and are willing to submit their peoples to austere sacrifices can, in fact, bargain with the United States on nearly equal terms.

Nato's Meeting

THE meeting next week of the Atlantic Council should do something to brace political and business morale in Western Europe. It will provide a reminder that $63 billion is still going into defence in the year that ends on June 30, that there is to be no immediate substantial drop in Nato's armament aims and that the elements of permanence in the Atlantic alliance have been solidly laid. There is above all the habit of periodical consultation by fourteen Foreign Ministers and the almost daily consultation of their permanent representatives in Paris. There is the growing tendency of finance and defence ministers to say to their cabinets "This is what Nato thinks we should (or should not) do." There is the concentration of strategic planning in the Standing Group, even if it is not global enough to please some people ; and for those who accept no evidence of allied solidarity save bricks and mortar there is the quite astonishing achievement of "infrastructure," to which Lord Alexander referred this week.

Infrastructure means that the fourteen allies share in Western Europe static and permanent installations for ground and air forces worth, when they are completed, over £350 million, to which the British have contributed some £50 million. Most of 140 airfields will be completed during this year and they are being provided with a common pipeline system for the delivery of jet fuel. The Minister of Defence quite rightly called this "an unprecedented international effort for common defence" in peacetime. These installations, plus the air warning and communications system built up for Nato, provide a hard basis for a continued collective defence effort, however much the international situation may change.

Decision for Federation

THE majority in favour of Central African federation shown by Southern Rhodesia's referendum was greater than most people in this country had expected, as, too, was the size of the poll. Nearly 83 per cent of the electorate voted, and the final figures were 25,570 in favour of federation and 14,729 against. As recently as four months ago, the result of the referendum was in doubt. It now looks as if the debates in this country, in and out of Parliament—and the hard things said in them about Southern Rhodesia's native policy—stung liberal opinion there to vote in favour of federation.

It can be taken for granted that the legislatures in Northern Rhodesia and Nyasaland, where the federal scheme will be debated shortly, will approve it. After that, the next stage will be an enabling Bill in the United Kingdom Parliament, giving power to introduce an order-in-council containing the federal constitution as proposed in the last White Paper. The order-in-council is expected to be made before Parliament adjourns for the summer recess, and in that case federation will formally come into force at the beginning of next year.

These next few months can be crucial for the success of the whole scheme. On the eve of the referendum, Sir Godfrey Huggins stated that he accepted partnership

> as meaning that all the races will work together to promote the prosperity of the federal state, in which all the inhabitants will have a stake. Leadership does not mean domination.

Now that he is freed from the fear that he might prejudice the outcome of the referendum, and the majority of the Southern Rhodesian electorate has endorsed his policy, Sir Godfrey Huggins's next task is to try to reassure the six million unfranchised Africans of the three territories. He has still to prove to them that it is leadership, not domination, that the Europeans of Southern Rhodesia want. Nor should reassurance stop at the Zambesi. It is even more urgently wanted in the two northern territories. Mr Welensky should reflect that though federation may be "an accomplished fact," it cannot be a success if the Africans remain in their present mood. And the quickest way to dispel their bitterness would be a start to remove the economic colour bar in the copper mines. At the very least, the attempts to extend it to other industry should be dropped forthwith.

Kenya Command

THE decision to unify the command of all the forces fighting Mau Mau, with General Hinde as Chief of Staff, had become inevitable; it follows growing complaints from leaders of all races in Kenya that there has been muddle and laxity in handling the emergency. Divided counsel and infirmity of purpose, it is said, are responsible for the humiliating situation in which the initiative has largely remained with the Mau Mau gangs. After six months of disorder, outrage and dislocation of the colony's life, it is certainly hard to deny that African organisation has been more effective than European. The first Mau Mau reaction to General Hinde's new command has been to inflict a smart reverse on a loyalist patrol.

Kenya is now being organised for a "Malayan solution" of the emergency. General Hinde gives orders to all military, police and auxiliary forces. Military and administrative action is co-ordinated by a committee comprising the Governor, the General Officer Commanding, the Chief Secretary and three European elected members of the executive council. Co-operation between military and civilians is to be assisted by provincial security committees. Hitherto, the police operation has been against Mau Mau; the settlers now urge that the whole Kikuyu people should be declared to be in rebellion, arguing that this in practice would enable summary justice to be done and would help the authorities to distinguish between Kikuyu loyally fighting Mau Mau and those who in greater or less degree abet the terror. It has been suggested that land should be taken from Mau Mau adherents and given to loyalists. The Government will need to be sure of its ground before it adopts either idea.

The immediate question is whether General Hinde's composite forces can take the offensive against the Mau Mau in arms. So long as the terrorists score what in African eyes amount to military successes, it will be impossible to swing the majority of Kikuyu to the side of law and order. But the task of breaking down the Mau Mau organisation—like that of breaking down the Communist organisation in Malaya—will inevitably be a long one, perhaps longer than the six months predicted by Mr Blundell last week. And the longer it takes, the more racial relations must be expected to deteriorate.

Impasse in Nigeria

AN ugly situation has developed in Nigeria. The federal constitution has broken down, and the difficulties of carrying on the Queen's government have forced the Governor, Sir John Macpherson, to fly to London for consultations with the Colonial Office. These will be critical. It is evident that any attempt to rule by decree—as happened in India in analogous circumstances—might be accompanied by mob violence fomented by local politicians. But the northern province will not continue to work together with the two southern provinces in their present mood. The only obvious alternative seems to be a hurried partition of the country—undoing "the mistake of 1914" as one of the northern ministers described it. Unfortunately, Nigeria lends itself even less to partition than most other countries upon which Britain has executed, in desperation, the judgment of Solomon. For the north has no access to the sea, and is wholly dependent on a unified system of communications.

The circumstances which have produced the crisis are described in our correspondent's report on page 161. A federal solution of Nigeria's regional differences never promised to be easy to work, because the ministers from the regions—meeting with European nominated members, as a federal executive—regarded themselves as regional delegates; no national parties developed. Thus the situation in the central Council of Ministers rather resembled that when both Nehru and Jinnah were members of the Viceroy's Executive Council before the partition of India. In the event, the two southern parties have sunk their differences and demanded full self-government by 1956; but the Muslim north—though just as anxious for self-government—is in no mind to be rushed into an autonomous union in which it would be dominated by Southern Nigeria.

The crisis hardly suggests that Nigeria is ready for self-government, even if the records of the parties did so, which may be doubted. African politicians have learnt a lot about power and perhaps a little about administration, but nothing about either democratic or federal compromise. Britain's policy must be to play for time in the hope that Nigerians will see the case for reason. It may not be easy.

Waiting for the Moscow Line

THERE is increasing evidence that the sudden reversal of the Kremlin's policy over the "doctors' plot" took by surprise not only the "other ranks" of the Soviet propaganda force—like those Ukrainian broadcasters who went on castigating the doctors while Moscow radio was already flaying their accusers—but also those higher officers who are normally abreast of developments in ruling circles. The elevation to the Party's Secretariat immediately after Stalin's death of Ignatiev—later to be made a culprit—shows clearly that no decision about the plot had then been taken. A copy of the *Komunist*, the former *Bolshevik* and chief theoretical organ of the party, which was published much later and has only just reached this country, still follows the original line over the doctors. Thus almost on the eve of the spectacular *volte-face*, the leading Soviet propagandists were ignorant of forthcoming moves.

This shock of surprise and the fear of yet another reversal may account in part for the caution now being shown by the Soviet press. Another explanation may be that the writers have been ventriloquists' dummies for so long that they find it difficult to recover their own voices. They may need time and actual encouragement to utter their own thoughts. Whatever the reasons, Soviet commentators avoid embroidering official pronouncements about the amnesty or the criminal offences of the security police. They repeat the official communiqués and republish *Pravda's* leaders after a day's delay. In one respect, however, the papers have already changed radically: the nauseating glorification of

Stalin has ended. For more than a year after his 70th birthday all were full of telegrams of praise; after his funeral the rites lasted only a few weeks. A recent copy of *Pravda*, picked at random, contained only one reference to Stalin on its first page. Another copy, of a few months ago, contained on the same page eighteen references to the "great father and teacher."

Centrifugal forces take some time to reach the periphery, and so propaganda in the satellite countries is still more Stalinist than the Kremlin. It is playing safe until the new line and the new set-up have crystallised. Yet, once the full significance of Moscow's moves have been appreciated, some radical rethinking will be provoked. The startling new developments need only time to produce an important echo outside Russia.

Neutralists and Neutrals

IT is no reflection on this country's friends and allies to say that we should be genuinely grateful that there are still some "neutrals" in this divided world. When a secretary-general has to be found for the United Nations, or a foster-parent for frightened prisoners of war, progress would be practically impossible if no "neutral" were willing to come forward and take on a delicate and hazardous job. International loyalties and commitments are now so extensive that few nations or even individuals are available to play these thankless roles, and the burden on those who remain is correspondingly greater.

Gratitude to neutrals, however, need not extend to "neutralists." The distinction between the two terms, as they are applied today, is clear enough. The neutralist enjoys the protection of the very defences which he devotes himself to weakening; he does not contribute to the maintenance of peace, but detracts from it. This is exactly the opposite of the conduct of those neutrals who, declining to shelter under a mightier wing, see to it that their own frontiers are manned against aggression. They not only play the indispensable parts of the objective arbitrator and the trustworthy Samaritan, but also reduce the obligations of those other powers that are banded together for common defence. But they are a dwindling race, as has been shown by the difficulties involved in finding suitable neutrals to help liquidate the problems of Korea. Is there anything that can be done towards preservation of the species before it dies out altogether?

Surprise for Jugoslav Farmers

JUST before Easter excitement was caused in the Jugoslav countryside by a government decree which allows peasants freely to leave collective farms. The measure gives compensation for the land and equipment they put into it, frees the remaining collectives from state administrative control and deprives them of their special economic

privileges. This is the most dramatic step yet taken by the Communists in their effort to undo the ill-effects of forced collectivisation and the general neglect of agriculture during the first years of Marshal Tito's rule. Over a year ago they decided to wind up all collectives that were not paying propositions ; as a result the number of these farms which at the beginning of 1952 was over 7,000, has sunk to just over 4,800, farming 19.6 per cent of the arable lands. How many more are now to be disbanded will not be clear until the decree is actually put into effect after the harvest. First reports suggest that in some districts the peasants are striving to get out as soon as they can ; but a provision that they will be responsible for a part of their collective's debt may well have a sobering effect. It would, indeed, be disastrous if the decree were to defeat its own ends by upsetting the year's agricultural work.

This new development is designed to give to Jugoslav agriculture the benefits of freer competition and emancipation from stifling bureaucratic controls that have already been given to industry. But there appears to be no intention of giving up " the ideal of the socialist transformation of the countryside." Mr Kardelj has even said that there is " little change to make in the general line for the struggle " to secure this transformation. The significance of these assurances is not yet clear ; they do not square very well with the urgent need to increase production. They may, however, be primarily designed for bewildered party members. In the immediate future, at any rate, the Jugoslavs will probably concentrate their energies on the further development of the " general collectives " for buying and selling which flourished in Jugoslavia before the war and have recently been encouraged to enlarge and extend their activities.

Families in Need

THE sharp wartime and postwar levelling of incomes has not, as its prewar advocates would have supposed, moved all families to a point well above the subsistence level. According to the findings recently reported by Mr H. F. Lydall in the *Bulletin* of the Oxford Institute of Statistics, about one British family out of every four had, for each person in it, less than £2 a week to spend during the year 1951-52. In this concept, the family—or more strictly, the " income unit "—may consist of single persons of 18 years or over whether living alone or not, so that an income of less than £2 does not necessarily indicate hardship. But it was among the large families that a high proportion of people had less than £2 a week per person. One-third of four-person families, over half of five-person families, and four out of five of those with four or more children had a yearly income, after tax, of less than £100 per person.

A net income of £1 18s. a week per person does not represent abject poverty. The average, according to this survey, is hardly more than £3, and the cost of keeping a family does not increase proportionately with its size. Moreover, the figures collected for this survey may give rather too gloomy a picture. Its findings about personal savings have already been discussed in these columns, when it was pointed out that the fact that 16 per cent of those originally approached would not co-operate may well have biased the sample. Furthermore, the natural tendency to understate additional sources of income has been at work and there is a serious deficiency of investment income in the survey figures. The average figures are, therefore, likely to be rather too low ; but there is no reason to believe that this would affect the disparity between the incomes per person of small and large families. After all the qualifications, Mr Lydall's report does show that some large families are having a very difficult time despite family allowances.

One other result is of particular interest. Where the main income-holder is a woman, there is, as would be expected, less money than in other families. But, after taking into account the smaller number of persons to support, these families had a net income per person of £153—only £11 less than those with a male head: a finding that will not further the cause of equal pay.

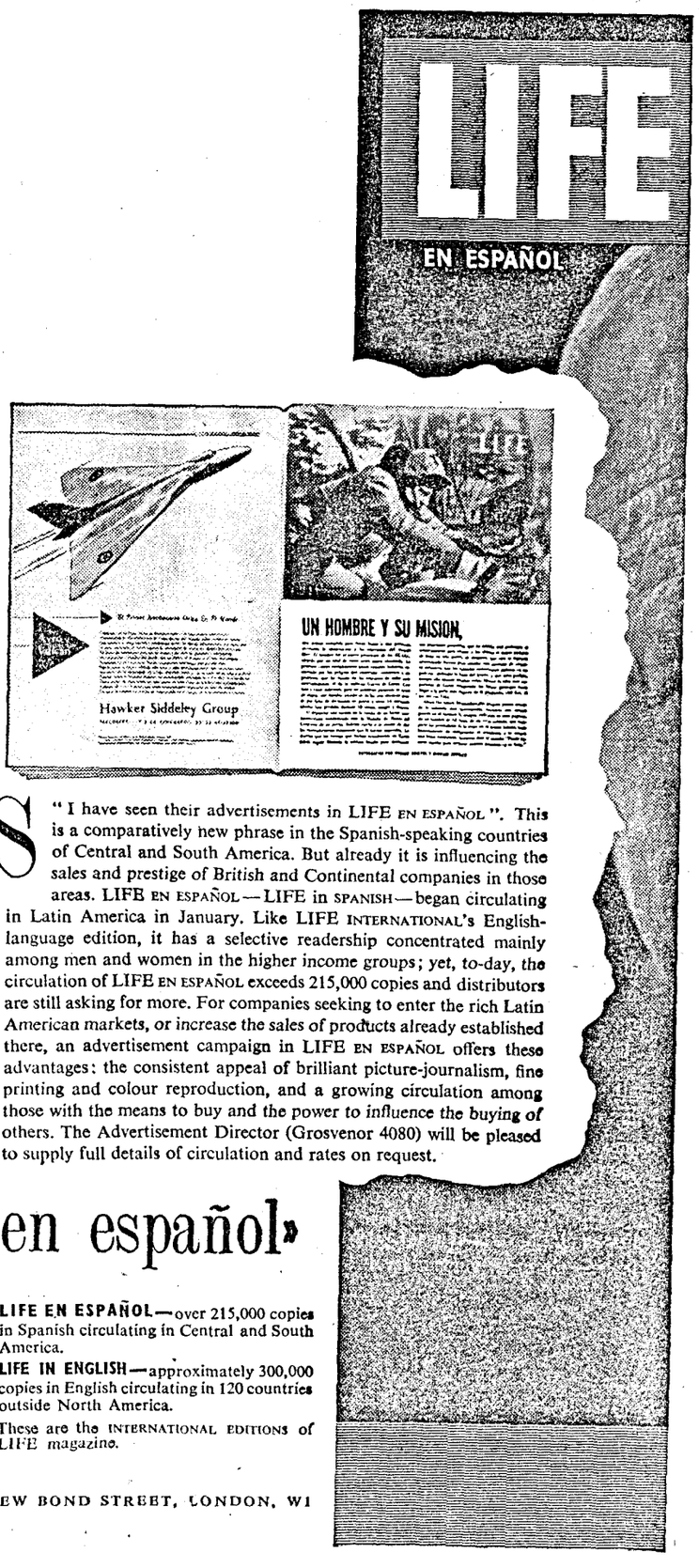
National Health

THE theme of the latest report [Cmd. 8787] of the Ministry of Health's chief medical officer is that the improvement in public health resulting from better physical environment is unlikely to be carried much farther ; henceforward better health will depend rather upon personal effort. In the last hundred years " a silent army of sanitary technicians " has worked on behalf of the average Briton's health. Today, " we are leaving the era of sanitary engineering and entering into that of personal hygiene. . . ."

The report covers the year 1951. The influenza epidemic at the beginning of the year was almost entirely responsible for the increase of 39,000 in the total number of deaths. But there is no such obvious explanation for the fact that the fall in the infant mortality rate was temporarily halted. In England and Wales, infant mortality, as in a number of other countries, has been halved in the last twenty years. But the rate of just below 30 per 1,000 live births has still some way to go before it reaches the low levels of Sweden and New Zealand and will have to be halved again before it is as low as Harrow's. The comparative stability of the rate in 1951 bears out the view that further big reductions will depend less on a wide generalised campaign than on a concentrated attack on special features—on prematurity, for instance, or on the death rate for illegitimate infants. In any case, the resumption of the downward trend last year, when the rate is provisionally given as 27.6, is reassuring.

" It is a sign of the times," says the chief medical officer, " that, in referring to the causes of death . . ., the infectious diseases should be left to the end." Deaths from tuberculosis were lower in 1951 than deaths from accidents of all kinds. Diphtheria, before the war a main cause of death in childhood, caused only 33 deaths in 1951. But the continued disappearance of diphtheria depends on a high rate of immunisation. There is always a danger that with immunisation, as with vaccination against smallpox, the public will be lulled, by the dramatic fall in deaths, into a false sense of security. In this respect, as in other branches of public health, future progress depends on the individual's readiness to play his part.

«Hé visto sus anuncios en



LIFE en español»

"I have seen their advertisements in LIFE EN ESPAÑOL". This is a comparatively new phrase in the Spanish-speaking countries of Central and South America. But already it is influencing the sales and prestige of British and Continental companies in those areas. LIFE EN ESPAÑOL—LIFE in SPANISH—began circulating in Latin America in January. Like LIFE INTERNATIONAL's English-language edition, it has a selective readership concentrated mainly among men and women in the higher income groups; yet, to-day, the circulation of LIFE EN ESPAÑOL exceeds 215,000 copies and distributors are still asking for more. For companies seeking to enter the rich Latin American markets, or increase the sales of products already established there, an advertisement campaign in LIFE EN ESPAÑOL offers these advantages: the consistent appeal of brilliant picture-journalism, fine printing and colour reproduction, and a growing circulation among those with the means to buy and the power to influence the buying of others. The Advertisement Director (Grosvenor 4080) will be pleased to supply full details of circulation and rates on request.

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Not for women?

ABOUT WOMEN and the reading of newspapers, there still remain traces of Victorianism. The male assumes that papers such as the Manchester Guardian are for the masculine mind; for the feminine mind something 'lighter' is often prescribed.

Women, no doubt, can and do make up their own minds. This advertisement seeks merely to take their side. If husband or father takes pleasure in the good reporting, good thinking, good writing in the Manchester Guardian, then wife or daughter takes no less pleasure.

Let no male, therefore, appropriate the Manchester Guardian to his sole use, and allot a 'popular' paper to his womenfolk. The Manchester Guardian has something of a mission in life—to tell the truth, to guard the humanities, to ignore the base or trivial. These aspirations are equally important to women. See to it, Sir, that the women in your household share with you the deep satisfaction of being a Manchester Guardian reader.

If you have any difficulty in getting your Manchester Guardian regularly, please write to: The Manchester Guardian, Manchester.



25/PM/22

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Educating Leaders

IT is a good thing that brilliant children have some powerful champions, for they certainly have very few champions. Much in the English school tradition (as opposed to that of Scotland and Wales) seems to be against the clever child. The philistinism that rated intellectual achievement far below athletic prowess, and *rationalised* its envy of brains with slogans about "*character*" and gibes about "swots" is happily dying out; but the new philistinism is worse than the old and its seed falls on ground already fertilised by the former prejudices against intellect. Brilliance at school has lost its social stigma, but the new campaign is to prevent it gaining social prestige. At a time when the largest educational authority in the country considers it to be a grave danger that the grammar schools may enjoy better teachers, better equipment and higher prestige than other kinds of school, it is a relief to hear a voice raised to plead the opposite case.

Dr Eric James, High Master of Manchester Grammar School, pleaded it powerfully last week in talking to the grammar school members of the National Union of Teachers. He argued that exceptional care should be devoted to educating the most able children. The staffing ratio should be much higher than at present and the teachers require high intellectual quality. Two-thirds of the teachers in this country, Dr James said, could never even begin to understand the work that these children were capable of doing. If an education of this standard was to be provided, some segregation was inevitable. Dr James thus briskly disposed of the current over-emphasis on the value of mixing clever children with stupid ones.

It is doubtful whether the audience followed him so far, grammar school teachers though they were. The educational levellers have held the floor so persistently that any other view is almost unfamiliar. That is the measure of the need to state it.

The Packet's Progress

"SHORTAGES and a better standard of living" have between them so changed the national taste in foodstuffs that the prewar diet would nowadays seem "a little unpalatable." This is the conclusion drawn from reports recently compiled by the National Federation of Wholesale Grocers. It refers, therefore, to a limited field; public attitudes to fish, meat, fresh fruit and milk are unreported and unanalysed. But within the grocery range, one general and predictable trend overrides local variations: a great increase in the demand for processed, tinned and generally ready-made foods. The consumption of sweet biscuits has trebled, the sweetest and most expensive being most demanded; tinned fruits of the dearer kinds, tinned meats, tinned tomatoes, tinned baked beans, breakfast cereals—all show large increases.

The influences at work are the inflation of incomes, rationing and the decline of housewifely arts. This decline, however, is not an entirely independent factor. Let the basic materials of the home cook's craft be cut off for long enough, and even the keenest domestic artist's skill will grow rusty, or never get a chance to develop. It is doubtful how far the ready-made or ready-processed preparations are really labour-saving; the shopping for them may be quite as strenuous as cookery itself. But the housewife who has lost, or never acquired, the skill to use ample basic ingredients variously and satisfyingly on her own account has no option in the use of her energies.

Here is the making of a vicious circle. Manufacturers of ready-made foods, from quasi-jam to pudding-mixes, find a ready and growing market for their wares and can accordingly put up a good case to the Ministry of Food for sustained and increased allocations of sugar, fats, dried fruits and the rest. The better their case, the more remote the day when housewives will be able to scour out their preserving pans and baking tins and regularly give their families real home cooking; the longer that day is postponed, the more certain the decline in skills and the better established the habit of packeted pseudo-cookery.

The Incidence of Taxes

One of the most common errors which is committed in the discussions which take place in relation to taxation is, that the incidence of every tax which, in its turn, becomes the subject of consideration, is treated as if it were the only tax collected—as if the whole revenue of the country were raised from it, and from it only. . . . It is, however, plain upon the face of the question, that in a system of finance . . . derived from a great variety of sources, altogether different in their character, and affecting the various classes of the community in a variety of ways and degrees, it is utterly impossible to judge fairly of any one tax without taking into consideration the incidence of others. It is plain, that if we are to regard the effect of taxation upon different classes of the community, we must look to the taxes *as a whole*, and to the relative pressure which each has upon such classes. In the first place, we derive a large share of our revenue from indirect taxes, Customs and Excise alone to the amount of about £37 million a year. Now no one will deny that to such taxes *the labouring population* contribute a larger portion of their incomes than any other class. Small as the expenditure of each person may be, a larger share of it goes in the shape of Customs duties on tea, sugar, tobacco and spirits, and in Excise duties on beer (hops and malt) and spirits, than is the case with the more wealthy classes. And it is on this account that those classes, by common consent, have been exempted from *the payment of* all direct taxes. There was always an exemption in their favour in the window duty and in the house tax; and of late years it has been expressly on this ground, that persons with incomes under £150 a year have been entirely exempted from the operation of the income tax. It was on such considerations that Mr Mill *defended* the exemption of such classes from the income tax, and it was the expressed necessity of considering *the incidence of* all taxes together, that made him hesitate in pronouncing a very distinct opinion as to the incidence of the property tax in general.

The Economist

April 16, 1853

Letters to the Editor

The Building Industry

SIR—In the second article on the building industry entitled "Management among Builders," in the issue dated April 4, 1953, you have confused the function of the architect with the machinery of local housing authorities and unfairly attributed the faults inherent in the actions of such authorities to the inefficiency of architects. Similarly, you exaggerate the powers of architects responsible for the design and erection of houses subsidised by the state. These criticisms do not apply to the work of architects engaged in state subsidised housing. You say:

1. "The rigidity of specifications and nomination of sub-contractors by architects has deprived the builder of his ability to make do and substitute."

Any variation in the specification can only be made with the consent of the housing authority and indirectly of the Ministry of Housing and Local Government, who have approved the plans and specification. If the houses were being built for sale by a private builder, any defect arising from an inadequate specification would be a matter between the builder and the purchaser, but when houses are owned by the local authority such a defect would have to be remedied by the authority. Cumulatively, on a large number of houses, this could become a very serious matter for the authority.

2. "Expensive methods have sometimes been forced on the builder, with attendant delays."

It is difficult to see what this statement refers to. If it means constructional sequences, these are entirely the responsibility of the builder, under the standard form of contract.

3. "They are certainly responsible for long delays in completion of contract documents."

This is untrue. Architects are not responsible for the completion of the contract documents. These are completed by the building owner, in this case the local authority, and the architect has no control over this procedure. As a tender cannot be obtained until the proper drawings are available, the drawings forming part of the contract must be prepared by that time. The preparation and execution of the contract itself is the responsibility of the local housing authority.—Yours faithfully,

London, W.C.1 RICHARD SHEPPARD

★

SIR—I was surprised to read the statement in your article, "Industry Without Mechanisation," of March 28th, that since mid 1952 "civil engineering costs have dropped by 20 to 30 per cent." That is certainly not my experience. Far from falling by so great a margin, civil engineering costs in my submission were at about the same level in the early months of 1953 as in June, 1952; if anything, rather higher.

This difference in views may possibly be explained by a difference in terminology. Thus while you may be referring to specific civil engineering prices, I have in mind civil engineering costs in general. I can understand, for example, that there may now be substantial reductions in prices for new site work in individual cases, but surely the explanation of this is to be found in the special circumstances governing those cases. I contend that they are not applicable to the civil engineering industry as a whole.

Admittedly the cost of materials has dropped—the materials index fell by just over seven points between April, 1952 (the peak), and December—and productivity (always difficult to measure accurately) may have risen slightly. On the other hand, labour and transport costs have risen, the wage-rate index last December being about six points above what it was at the beginning of 1952. In view of the cardinal influence of labour in civil engineering construction, and indeed in building materials, I fail to see how a substantial overall fall of civil engineering costs could have taken place. Nor to my mind does there appear to be any real prospect of such in the near future.—Yours faithfully,

J. P. MCDONAGH

Wimbledon, S.W.19

[The figures quoted do in fact refer to the prices paid in new civil engineering contracts by a number of local authorities in recent months.—EDITOR.]

★

SIR—I must join issue with you on one or two points, particularly in your latest article on building. Sub-contracting for labour-only constitutes one of the most vicious practices of the industry and it is our task, that is the organised operatives' task, to end the pernicious system wherever possible. It may be that some of these sub-contractors walk away with £20 to £30 a week but this is indeed poor consolation to our members who frequently have to walk away with unstamped insurance and holiday cards, and even without wages, because these labour-only sub-contractors have made a quick but silent get-away.

Of course, the unions desire to decasualise building but we do not, I assure you, "acquiesce in rigidities." We have not "preferred a situation in which bad craftsmen and idle labourers have found work . . ." While I have no difficulty in subscribing to a number of your views, I am afraid that part of them are still informed by prejudice. You may rest assured that the unions want the maximum building output under conditions of the best possible craftsmanship. Unfortunately the building industry has for so long been a prey to politics that it is difficult for the outsider to notice it with any kind of impartial judgment.—Yours faithfully,

London, S.W.4 R. COPPOCK

The Finance of the Dog-Fight

SIR—Taxpayers should be grateful to Mr Justice Lynskey for his strictures arising out of the strange case of Rex v. Prince, in which two fellow citizens were enabled to engage in litigation up to the High Court, at no cost to themselves.

May I as one who contributes heavily to the welfare state and receives little or no benefit therefrom make the following comments:

(1) To have been logical and effective, the 1949 Act should have provided that where the defendant is unable to pay, the state should bear the burden of damages as well as costs.

(2) For the better protection of the community in general, postmen and farmers in particular, the Government might increase the cost of dog licences by 1s., and use the money as a fund from which to pay compensation, legal costs and damages awarded by court.—Yours faithfully,

Weybridge, Surrey J. C. HOWISON

The Rommel Papers

Edited by Capt. Liddell Hart

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Books & Publications

The Right Test for the Boards

THE FUTURE OF NATIONALISATION.
By H. A. Clegg and T. E. Chester.
Basil Blackwell. 211 pages. 12s. 6d.

THIS is an excellent book, well informed, well argued and clearly written. It seeks to analyse with as much scholarly detachment as possible a general question that is both highly complex in itself and complicated by a mass of emotion and prejudice. The authors try to keep unemotionally to the central issue by laying down for themselves a simple path of argument. What were the reasons for nationalisation? Why have the nationalised industries failed to achieve, in a satisfactory measure, the purposes for which the change in ownership and organisation was made? What different organisation would be better suited to the purposes? And here, they conclude, is the answer: this is how the nationalised industries should be reorganised, this should be the future of nationalisation.

This is an attractive simplification, but it goes grotesquely too far. The purposes of nationalisation are not the purposes of nationalised industry: they reflect the adjective, not the noun. In the last analysis, coal and the rest are still industries. They exist for economic purposes; the distinctive decisions of those who run them are the entrepreneurial decisions about prices and scale of operation and investment. The right organisation is the one that leads, within the context of public ownership, to the right decisions. The test of efficiency in a nationalised industry is economic, not administrative; still less is it suitability to the motives of the nationalisers—motives that were valid enough in their historical context, but have no particular value as tests for the future. For all the good sense with which they hoe the row they have chosen, what the authors of this book are really doing is to lay down standards for nationalisation while shutting their eyes to its main problems: which is common enough, but too small a task for their scholarship.

Mr Clegg (of Nuffield College) and Mr Chester (of the Acton Society Trust, not Mr D. N. Chester of Nuffield College) base their proposals on two central propositions. First,

> The only criteria which we can even try to handle are impressions about the effect of forms of organisation on those who work in the nationalised industries, and guesses about the probable effect upon them of changes in organisation.

Secondly, Messrs Clegg and Chester point out with great force that the nationalised organisations are based on a fundamental error. Some functions of the nationalised industries—say, development policies in coal, or the securing of an economic load-factor in electricity—were believed to require large-scale organisation. The nationalisers went on to conclude that all functions—finance, labour relations, sales, etc.—also required large-scale organisation. They therefore made the big new units responsible for what the authors call "over-all management."

They perform a very important service by demonstrating the fallacy of this view. They go on to show that, by the criteria of how people can best work together and achieve the maximum administrative efficiency, it would be better to have smaller units for general management. In coal, they propose area boards with limited responsibilities, transferring more authority down to the colliery manager than was proposed in Colonel Lancaster's better-known scheme; and, unlike him, they would abolish the National Coal Board (at least as a managerial body) and place such central functions as are essential in the hands of the Minister, assisted by a Coal Commission. Similarly, in electricity they would transfer control over generation to the area boards, reduce the BEA to something of the status of the former CEB, and re-establish the Electricity Commissioners.

These are interesting and important proposals. The line of development they indicate is probably the right one. But they certainly cannot be justified on such narrow grounds as Messrs Clegg and Chester argue their case. The future of nationalisation cannot be settled by administrative standards. That may produce the most efficient execution of policy, but in itself it does nothing at all to ensure that the policy is right. In the early years of nationalisation, organisational problems have inevitably been given most public attention, but it is at least possible that the most damaging mistakes of the nationalised industries have been to price their products on unsound principles and thereby lead themselves into uneconomic investment policies. In this respect the area electricity boards are quite as likely to go wrong as the National Coal Board, and the administrative case for decentralisation—important though it is—is at best a small part of a case. To that part Messrs Clegg and Chester make an important contribution; but it needs a broader view to settle the future of nationalisation.

Prolegomena to Africa

STRUGGLE FOR AFRICA.
By Vernon Bartlett.
Muller. 251 pages. 15s.

SYNOPTIC pictures of the situation in Africa are rare; but they are valuable both to author and reader. For Africa is no longer a series of compartments impervious to ideas, political or even technological; amorphous though it be, the great continent is beginning to come to life as a single, interdependent whole. The process has not proceeded far, and will not perhaps proceed farther very fast; but it has proceeded both far enough and fast enough to make evaluations of single regions, or of Africa generally based on knowledge of single regions, incomplete and even misleading. It is the merit of Mr Bartlett's book—which he has written with charm and clarity for the general rather than the specialist reader—that he does consider Africa as a whole, and that he bases his judgment on visits which he made himself to all parts of the continent. To the network of inter-African airways alone do we owe the possibility of up to date eye-witness books on "Africa"; and they in turn are spreading ideas as well as journalists and insect pests, sharpening up contrasts, deepening communications, tracing a pattern of unity.

Mr Bartlett's underlying thesis is indeed the growing interdependence of Africa; certainly of Africa south of the Sahara. The absurdity of *apartheid*, for example, is not merely that Europeans must somehow live on tolerable terms with Africans and Indians in South Africa, but that South Africa must live within the continent as a whole on tolerable terms with the diverse territories to the north of it. British policy, on the other hand, ought to show some consistency as between East and West Africa—but does not. British, French, Belgian and Portuguese policies toward African social and political development, as well as towards economic development, will in the end have to be reconciled, divergent as they at present seem. At present the European is tending to carry on as though the aeroplane, radio, and newspaper had no effect on the African mind at all; or as though the education which he himself has introduced leaves African mentality as village-bound and tribally-orientated as before the art of writing existed.

In fact, all problems—those of nutrition and agriculture, no less than those arising, for example, from urbanisation or the creation of a new white and a new black dominion in Africa—must be assessed within the wider context. Mr Bartlett has provided a handy and readable, if necessarily personal, frame of reference. The intelligent newspaper reader will find that a short course of Bartlett will greatly improve his understanding of the growing, if still scattered, references to Africa that spread through his daily reading. He might have been grateful for a few more maps—practically, there can never be enough new

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STAPLES

maps, especially of Africa. But he will find this an illuminating, if not original book—even though, in 250 pages, much of Africa necessarily escapes even a newspaper man's eye and pen.

Foreign View on Labour Policy

LA POLITIQUE SOCIALE DE L'ANGLETERRE CONTEMPORAINE.
By Jean Lhomme.
Presses Universitaires de France. 517 pages. 1,800 frs.

IT is not always true that the outsider sees most of the game; but an intelligent foreign observer, provided that he confronts the facts without national prejudice, may have a certain advantage over the native when it comes to tracing or assessing an historical sequence. For one thing, he can apply standards of comparison afforded not only by the past of the country which he is observing, but by the present of his own; for another he is (particularly if he happens to be a Frenchman) likelier than the native to draw the essential distinction between paper plans or legal powers and the way things happen in practice.

Professor Lhomme's study of British social policy is a good example of this external perspective. His title is, in fact, rather misleadingly wide. He has little to say about the social services, nothing about education, no interest in the distribution of property or of incomes in general. His concern is with wages, employment, and the wage-earner's purchasing power; and "wages" does not even include salaries. Within these limitations, his book is a most remarkable achievement, the tidiest, fullest, and most percipient account available of a whole complex of related subjects: trade union structure and history; the levels, differentials, and movements of wages; relevant legislative and administrative organs; price control, rationing, and the subsidy system as it affects the real wage; full employment policy from budgetary measures to the development areas; planning techniques.

As a work of reference alone the book deserves translation as soon as possible. As a guide to the interrelations of different forms and phases of policy its merit is equally high. As a study of the empirical British genius at work, it is, if a little flattering, at all events reassuring. If this is how our particular brand of planning strikes an obviously intelligent foreigner, perhaps it is not so bad. As a long-run assessment of social results it is, however, completely null. It is not that Professor Lhomme denies either the dangers of economic ankylosis or the possibility that there may be some long-run disadvantages in simultaneously increasing the need for the services of a professional *élite* and grinding that *élite* out of existence. Neither the danger nor the possibility appears at any stage, to have attracted his attention at all. This is, let it be repeated, a very good book. Had Professor Lhomme paid any attention to M. de Jouvenel's "*Problèmes de l'Angleterre Socialiste*" (which does not appear in his bibliography) it would have been a great deal better.

Members of the Commonwealth

THE STATUTE OF WESTMINSTER AND DOMINION STATUS.
By K. C. Wheare.
Oxford University Press. Fifth Edition. 346 pages. 21s.

THIS new edition of the standard book on the effect of the Statute of Westminster upon status in the Commonwealth, first published in 1938, is timely and welcome. Its general thesis is that a fundamental characteristic of the constitutional structure of the Commonwealth is not the isolation of strict law from convention but the interaction and co-operation of strict law with convention. Much rewriting and revision have been made necessary by the constitutional changes which have occurred within the Commonwealth since 1948, and Professor Wheare analyses the significance of the most important of them.

Allegiance to the Crown has ceased to be regarded as "an essential prerequisite of membership of the Commonwealth"; the rule now is that every member must accept the Queen as the symbol of the free association of its members. Could one conceive of this rule prevailing if all those members were republics? Could there be a King or Queen without any kingdoms? Professor Wheare points out that "it would be rash to conclude that so absurd an anomaly could not happen in the Commonwealth." The history of this community of diverse nations has been one of continuous adaptation to meet new circumstances, and that history has also shown that names are of great importance. The new term "Member Status" is very little, if anything, more than a new label on an old bottle, a new name for an old thing. "If it was wise to replace 'Colony' by 'Dominion' who can doubt that it is wise to replace 'Dominion' by 'Realm,' or by 'Member of the Commonwealth'?"

Successive editions of this book have maintained that the enactment of the Statute of Westminster destroyed the legal efficacy of the provisions prescribing the procedure for altering the "entrenched sections" of the South African Constitution. Mr Wheare acknowledges that this view was "ill founded." He now accepts the view that although there are no legal limits to the power of the Union parliament, the first and fundamental question is: "What is the parliament of the Union?" It is curious that the author twice records the fact that South Africa abolished all appeals to the Judicial Committee of the Privy Council without making any reference to the fact that several other members of the Commonwealth have done the same.



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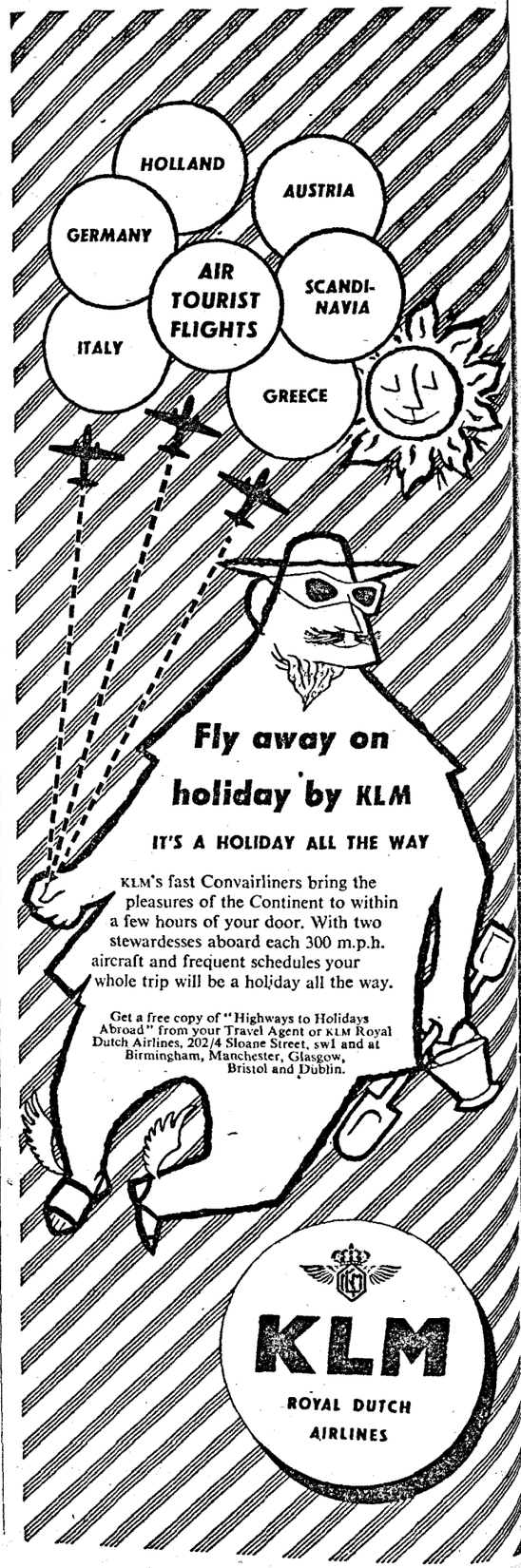
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American Survey

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

How Broad an Arms Base?

Washington, D.C.

SINCE his now classic appearance before the Senate Foreign Relations Committee at the time of his appointment, when his share holdings were the issue, Mr Charles Wilson, the new Secretary of Defence, has had very little contact with the general public or the press. But during recent weeks he and his motor manufacturing colleagues in the important civilian positions in the department have given an impression of furious activity. They have been turning Mr Truman's request for a $46 billion military budget for the next fiscal year this way and that, in an effort to see how it could be reduced, without loss of military strength or efficiency, in order to redeem at least a portion of the Republican campaign promises. The first inkling that the public has had of the direction in which Mr Wilson's mind is moving has already caused some questioning and alarm among businessmen and in Congress.

The American rearmament programme since the beginning of the Korean war has been designed not only to produce a large supply of finished armaments, both for expenditure in Korea or elsewhere and for reserve, but also to create the widest practicable "mobilisation base." This programme has had two halves. One is the expansion of raw material production for present military and civilian needs, and a further increase in basic capacity to meet the still greater demands of total industrial mobilisation if it should ever have to come. Except in electric power expansion, which is lagging somewhat, the goals are well on the way to being met. The other half of the programme consists of an expansion of manufacturing capacity for weapons and defence equipment.

The object has been to provide a supply of weapons adequate to the needs of the cold war while creating enough plants which could go into production in the event of a hot one to enable the United States to reach full military output considerably sooner than it did in the last war. Generally speaking, no American manufacturer is working to full capacity on the piece of military equipment he is responsible for producing, and orders for a particular gun or aircraft have been split between three or four manufacturers, each working at, say, a quarter of capacity so that their combined rate of production could be quadrupled if necessary.

This programme has been pursued over the past two years as coherently as any plan of its size could be, and a good deal of it is completed—81 per cent of the tax-aided facilities for the private expansion of the mobilisation base will have been put in place by the end of 1953. The continuance, indeed the extension, of the scheme was specifically recommended by the Truman Administration.

Mr Wilson now seems prepared to question the validity of the whole policy. He is reported to feel that too much money has gone into the creation of a broad mobilisation base and not enough into the actual production of war potential. His argument is that, with aircraft and other manufacturers operating below their full capacity, the unit cost of each piece of equipment is unnecessarily high and that it could be reduced by allowing a few firms to produce at capacity instead of a number of firms at half or quarter speed.

With the exception of railway wagons, which he feels have been overproduced under the government's encouragement, the change of emphasis which Mr Wilson would like to bring about refers to manufacturing capacity for arms, not to the expansion in the basic industries, and it would be accomplished, not by sudden reversals of orders, but gradually over a two-year period. His great enthusiasm is for the system put into effect by his own company, the General Motors Corporation: the "dual purpose plant" in which the military production line rests under dust sheets at one side of the factory when full-scale mobilisation is not required, while washing machines are made in the centre of the building. The order can be reversed when necessary without having to move the skilled labour which, in theory at least, is versed in both types of machine tools and products.

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At first sight this change in emphasis seems to have a number of advantages, even though saving in costs is not likely to be astronomical. No one can really tell how much more cheaply tanks or aircraft could be made if their production were concentrated, and the direct cost of the stand-by plant scheme, of just over half a billion dollars, is picayune by comparison with the economies of four or five billion dollars for which Congress is at present baying.

But Mr Wilson's decision, if it really bears the hall-mark of the National Security Council's approval, without which, under the new Administration, no policy can be certified as genuine, raises certain interesting questions. Does the Defence Department really think that the danger of full-scale war has receded to a point where the plans for rapid industrial mobilisation can be partially dismantled? If Mr Wilson's office is working on that assumption, the news has not been communicated to other parts of his department. In the second place, it is hard to see how Mr Wilson's thesis that there should be more concentrated armament production and greater stockpiling of reserves can be reconciled with his own insistence on winning the techno-

Mr Dulles gave the impression that the United States was thinking seriously of asking the Communists at the hoped-for peace conference to accept a division of Korea at the waist, some hundred miles north of the present battlefront, and less seriously about a United Nations trusteeship for Formosa as part of a general Far Eastern settlement.

The possibility that General Chiang Kai-shek might be, in effect, once more neutralised, and the aim of a united Korea abandoned caused great indignation among the Republican adherents in Congress of both the Generalissimo and Dr Syngman Rhee. Mr Knowland, now the chairman of the Republican policy committee, who won the gratitude of the Administration over the Bohlen appointment, protested; and the White House promptly denied that the published views represented settled American policy or that a trusteeship for Formosa had ever been considered. The impression that is left is that, although Mr Dulles may propose, it will be the President and the National Security Council who make the final decisions on foreign policy.

Mr Dulles and the President may not have been prepared for the immediate crop of almost identical stories in the press, which clearly pointed to a single highly placed inspiration and made it only a matter of time before his name became known. They can also complain that some accounts presented Mr Dulles's ruminations as settled policy. But the Secretary of State is too old a hand at press conferences not to have appreciated that, under the etiquette of a background briefing, the journalists would feel free to report what he said as long as they concealed his identity. It is hard to believe that Mr Dulles was not attempting to break through the frozen surface of Republican policy on the Far East, or at least testing the thickness of the ice. The effect, inside the United States, however, has been to make the Secretary of State seem inept, and he may think twice before attempting another similar reconnaissance by press conference.

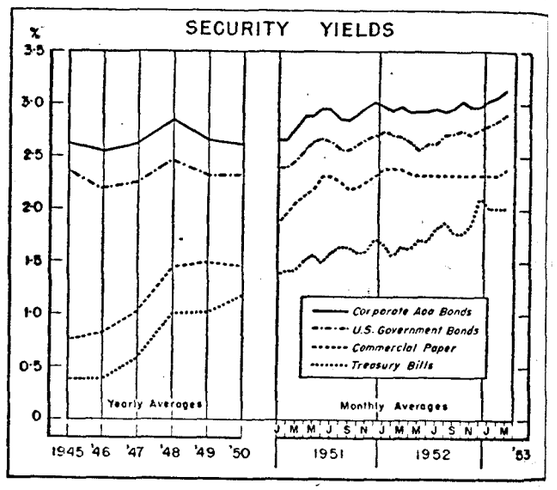
First Fruits from the Treasury

THE 3¼ per cent bond issue, with a 30-year maturity, which the Treasury put on the market last Monday, has an importance out of all proportion to the amount of cash it is intended to raise—$1 billion—although the comparative smallness of the issue is one of the important things about it. It is not only that this is the first time that new money has been raised since the Treasury came under Republican control, but also that the money is being raised by the first long-term issue since the war years and one bearing a higher interest rate than any issue since 1934. The new Administration's promises—to check inflation by indirect monetary means rather than by direct economic controls, and to reorganise the structure of the public debt, now concentrated in short-term issues—are already bearing fruit.

If the new bond's long-term precedent can be followed in future issues, then the Treasury will gradually be relieved of the frequent refunding operations that have hung over both it and the market in recent years, and the Federal Reserve system will no longer be hampered in its regulation of the flow of credit by having to safeguard the market for government operations. Long-term issues have the

further advantage, in an inflationary period, that they do not add appreciably to the volume of credit, since they do not appeal to banks. The new issue is intended for institutional investors, such as insurance companies and the managers of pension funds; commercial banks are not allowed to subscribe more than 5 per cent of their deposits.

The objection to long-term bonds, from the taxpayer's



Source: Federal Reserve Board.

point of view, is their cost, but under present conditions 3¼ per cent, a full half-point above any other outstanding marketable government bond, was generally agreed to be the lowest rate at which the new issue could be a success. The smallness of the issue shows, however, that the Treasury is only testing the market in preparation for the next time that it needs new money. This will not be until after the fiscal year ends on June 30th; the $1 billion from the present issue and another $1 billion, to be raised by increased offerings of 91-day bills, will provide enough cash for the next few months.

The 3¼ per cent rate of the new government bonds will have the directly deflationary effect of pushing up already rising interest rates for other types of borrowing, and will thus help to check the current growth of credit which many observers (including Treasury officials) feel is becoming excessive. But a check on this expansion of credit, particularly of mortgage and instalment loans, combined with the uncertainties of the international situation, may hasten the downward adjustment of the economy. If so, the time for the Republicans' hard money policy may already have passed before the Treasury again needs to raise new funds—and then the flexibility of the new Administration will be put to the test.

New York Takes its Medicine

THE long and bitter dispute between Mr Dewey, the Republican Governor of New York State, and Democratic New York City over the city's financial troubles has all but ended in a victory for Mr Dewey's unpalatable measures. The Governor's chief demand is that fares on

the public transport system should be increased at least enough to cover the operating deficit, which makes so big a hole in the city's pocket; his plan is to transfer the system to a new authority which would be required to make ends meet. The budget which Mr Impellitteri, the Mayor, has just submitted to the Board of Estimate is built on the assumption that the city will not have to meet the estimated $47 million transport deficit, and that it will receive the new $50 million in property taxes authorised by the state legislature only on condition that the transport deficit is eliminated. To defy Mr Dewey, the Mayor sadly pointed out, would require a $97 million cut in the city's services, something which would turn New York into a "ghost town." The budget totals over $1.5 billion, and is second only to that of the federal government, but New York carries the heaviest burden of fixed charges of any city, thanks to its liberal pension policy and its heavy debt.

Although the city seems to have no choice, it is not yet certain that the Board of Estimate will accept the inevitable. Mr Rudolph Halley and Mr Robert Wagner, both possible candidates for Mayor in next autumn's elections, have declared war on both Mr Dewey and the unfortunate Mr Impellitteri. They want to preserve the ten-cent fare as a Democratic vote-getter. For more honourable reasons Mr Joseph, the Controller, who holds the balance of power, is undecided; he feels that the details of the transport transfer are unfair to the city. However, under the law passed by the state legislature, the transfer must take place by June 1st if the city is to collect its new taxes and, under the City Charter, the budget must be accepted by June 15th.

The irresponsibility of the city leaders is said to have been an important factor in Governor Dewey's decision to create a commission to examine the desirability of a city manager for New York. The first report is expected in June. The city cannot be forced to accept its recommendations. But a very similar plan has been proposed by the Mayor's Committee on Management Survey, a group of experts who have been examining New York's problems for three years at a cost of over $2 million to the city. The committee concludes that a Director of Administration should be appointed, under the Mayor, to overhaul archaic practices and run the city in a business-like way. Less to Governor's Dewey's liking will be their conclusion that the city, as it has always argued, deserves more financial aid from the state.

Pressure on Standards

AT first sight the forced resignation of Dr Allen Astin as head of the Bureau of Standards seemed to be merely another example of the desire of incoming Republican administrators, in this case Mr Sinclair Weeks, the Secretary of Commerce, to choose their own subordinates. But, quite apart from the fact that the Bureau of Standards, the government's principal agency for scientific research and testing, is hardly a suitable place for political patronage, it now appears that Dr Astin's resignation may be the result not of political, but of commercial, pressure and that Mr Weeks may have encroached on the fundamental principle of scientific impartiality and integrity. It is not surprising, except perhaps to Mr Weeks, that a swarm of scientists are buzzing around his head. It may need more to quieten them than the thorough evaluation of the bureau

and its functions that he has asked a group of them to undertake.

The immediate question is whether a particular chemical additive, AD-X2, lengthens the normal life of storage batteries in cars and elsewhere. The Bureau of Standards, after prolonged tests, decided that it was of no value. Other tests seemed to the Senate Small Business Committee, to which the manufacturer had appealed, to indicate that his product was satisfactory and a number of people, including Mr Weeks's own firm, have found it useful. Mr Weeks therefore decided, for this and other unspecified reasons, that Dr Astin should resign, and added that the bureau had not been "sufficiently objective" in its tests.

This phrase apparently referred to the contacts which men employed by the bureau had had with firms making storage batteries, who would not welcome a favourable report on AD-X2. The implication that scientists, who have been glad to work for the bureau at salaries less than they could have earned in industry, were influenced in their reports by such contacts is naturally regarded as insulting. So is Mr Weeks's readiness to accept the verdict of outside research organisations rather than that of his own highly esteemed officials, whose tests were more comprehensive even if less pleasing to the manufacturer.

In discussing the matter, Mr Weeks said that more attention should have been given by the bureau to "the play of the market place," evidently meaning that if customers can be found for a product, the manufacturer should not be prevented from selling it by the government, provided it is not dangerous. This is perhaps the most controversial aspect of the dispute, for it calls into question the powers to regulate industry and protect the consumer which have been given to the Federal Trade Commission and other agencies by Congress. The Bureau of Standards came into the matter only because the Commission asked it whether the manufacturer of AD-X2 was justified in his advertising claims—and the bureau decided that he was not.

Atoms for Civilians

THE President will shortly ask Congress to amend the Atomic Energy Act so that private firms can share in the development of atomic energy for peaceful purposes, primarily the production of electric power. The ending of the present government monopoly was recommended by the National Security Resources Board last year while Mr Truman was still President, and the problems involved have been studied ever since, so that it is not a party matter. But the present Administration naturally takes particular pride in opening new vistas to private enterprise and welcomes, especially at this moment, the chance to show its interest in the peaceful potentialities of the atom.

The Atomic Energy Act of 1946 gave the Atomic Energy Commission sole power to own, produce, and distribute fissionable materials, as well as authority over all atomic information and the right to take over any privately developed processes. The suggested amendments would give private interests the right, under government licence, to possess critical amounts of uranium 235 (quantities large enough to produce an explosion); and the right to produce plutonium; permit the government to enter into long-term contracts to buy privately produced plutonium, and give

firms certain patent rights in new processes which they develop. This last concession is necessary if private research is to be encouraged and corporations are to invest their own funds in discoveries they make, but it is expected that the government will have the power to require patents to be shared if this is in the national interest.

The right to produce plutonium must be granted because it is the end-product of the processes used to produce heat ; firms could not produce electric power without also illegally creating plutonium. Most of the industrial teams which are designing their own reactors count upon government purchase of this plutonium, which is used at present in the manufacture of atomic weapons, to make their own operations pay, at least at first.

Although it is now technically possible to build an atomic-powered electric plant, the day when electricity from the atom will be produced in commercial quantities at competitive prices is thought to be ten or even fifteen years away. Both the atomic submarine engine developed at Arco, Idaho, and the new homogeneous reactor at Oak Ridge create only very small quantities of power at a cost uneconomic for private enterprise. In size, the reactor being designed for an aircraft carrier by the Westinghouse Electric Corporation is more like what will be needed for commercial electric power. But the cost of atomic power is still, according to the Atomic Energy Commission, more than twice as high as that from coal or hydro-electric plants ; private experts think the difference is much greater. If Congress decides to raise the atomic curtain, it will be up to private enterprise to make power from the atom an economic supplement to present power sources and demonstrate that excessive secrecy has been the enemy, not the ally, of progress and security.

Oil in the Anti-Trust Machine

THE announcement by the Attorney General that the alleged world oil cartel is to be sued for civil damages implied that the Administration will ask, and will probably get, permission to drop criminal charges when the grand jury investigation of the international activities of these oil companies is resumed at the end of the month. Mr Truman's Attorney General made a similar offer in January, which was angrily rejected by the leading American oil companies—the Anglo-Iranian and Royal Dutch-Shell companies are also involved in the case—because the condition of the offer was that they should agree to produce in the civil court all the documents that they had been fighting to keep from the grand jury. This time the State, Defence and Justice Departments and the Central Intelligence Agency are to decide whether the national security will be endangered by the production of records of the companies' international negotiations, with a final decision from the President if the departments disagree. Both he and the Cabinet have endorsed, " in view of existing world tension," the move to enforce the anti-trust laws against the alleged petroleum cartel by civil instead of criminal proceedings.

The main difference is that the companies would no longer be liable to conviction for crime, with their officers in danger of jail sentences. Such charges would hamper them seriously in their relationships with Middle Eastern governments and might jeopardise the free world's oil supplies, especially if other governments, the Venezuelan for instance, were thus given an excuse to follow the Iranian example and nationalise their petroleum industries. If found guilty in a civil suit, the companies would probably be required, by court order, to " cease and desist " from illegal practices ; but these suits are frequently settled by a consent decree, agreed by both sides. Such a decree may save years of judicial proceedings, and also thousands of columns of publicity, both of which it is particularly desirable to avoid in this case, with its international implications.

If, as seems almost certain, the new Administration has been prevented from dropping this case entirely, as its foreign and defence advisers might have preferred, by domestic political considerations, then there is little likelihood that many of the other pending anti-trust suits can be dropped. For if charges against the major petroleum companies appeal to independent oil producers, other small businessmen welcome attacks on the du Pont Company and General Motors Corporation—and it would be especially invidious to abandon this case because President Eisenhower's Secretary of Defence is concerned in it. To drop the suit against the big grocery chain, the A. and P. company, might alienate the votes of housewives who think they are being overcharged. It is the same with nearly all the 130 or more anti-trust cases which the last Administration had begun and from which the firms charged had hoped to be freed by a business-loving Republican Administration. But for many of them, as for the oil companies, a consent decree may provide a way out.

SHORTER NOTES

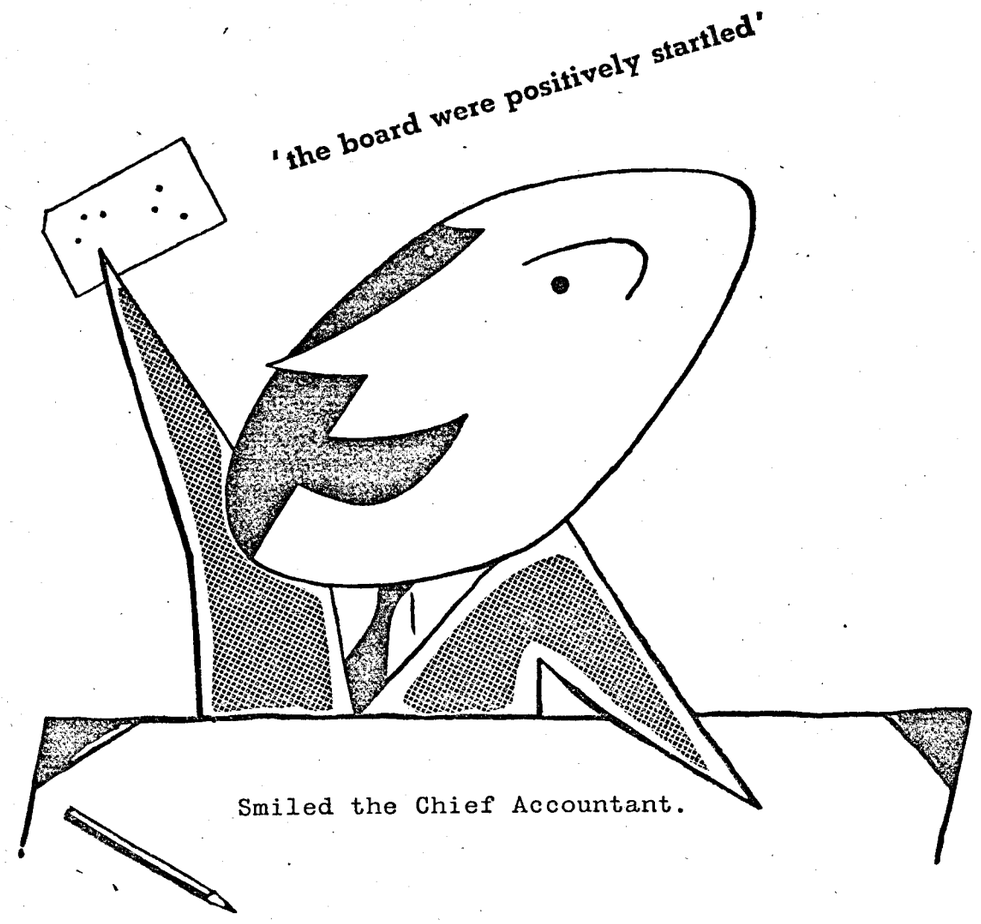
The Republicans' concern with the 1954 Congressional elections is evident in their selection of Mr Leonard Hall of New York as the new chairman of their National Committee. Mr Hall, who served seven terms in the House of Representatives and was the chairman of the Republican Congressional Campaign Committee last year, will have the difficult task of increasing the present narrow Republican majority in an "off-year," when there is no presidential election and when the party in power is usually expected to lose some seats.

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As had been generally expected, Mr George Kennan, the State Department's greatest expert on the Soviet Union, is to retire to private life and will probably go into academic work. If Mr Dulles had any desire to find a post for the man who had inspired the Truman policy of " containing " Russia, it was discouraged by the difficulty of getting the Senate to approve the appointment of Mr Charles Bohlen, another close associate of Mr Acheson's, as Ambassador to the Soviet Union.

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Baby shoes that grow with the wearer are now being marketed in New York. Made of sturdy washable cloth, the shoes have soles which come up over the toes and snap down ; there are two snaps to allow adjustment for growth, as well as changeable straps at the instep.

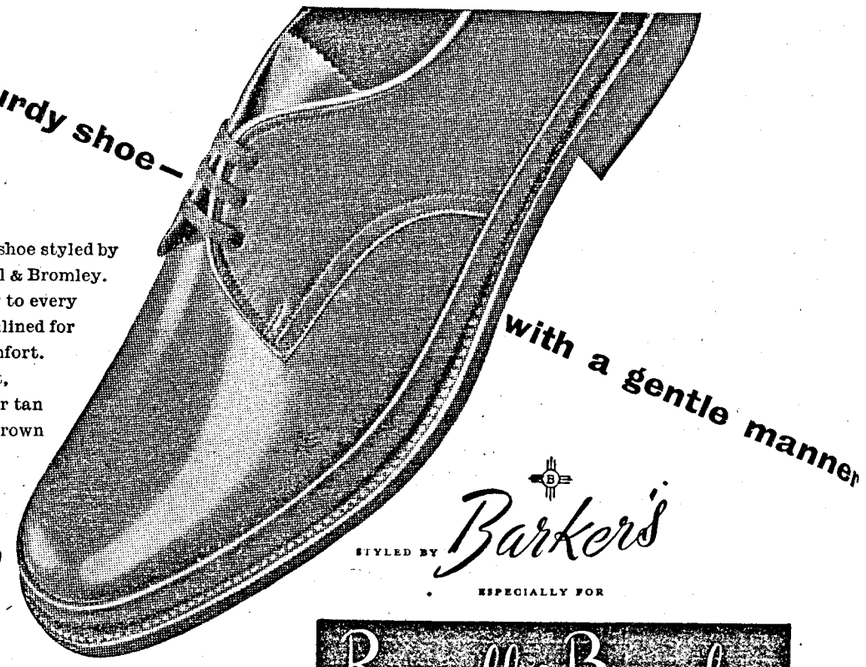


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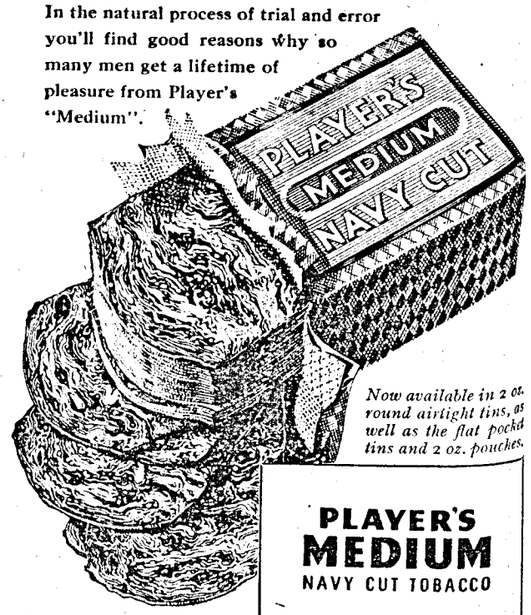
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The World Overseas

Egypt and Middle East Defence

FROM A CORRESPONDENT IN CAIRO

THE British Government's announcement that discussions on outstanding questions between Britain and Egypt will open shortly in Cairo does not alter the fact that Egypt will not negotiate the Canal Zone question and the Middle East defence plan simultaneously. If the British Government has any lingering doubts on this matter it would be wise to abandon the hope now. Rightly or wrongly, the present leaders of Egypt believe that the country was behind the Wafd in its rejection of the original proposals for regional defence in October, 1951; and they are not prepared to force upon the country something which the Wafd rejected.

Nor will they be prepared to negotiate back-stage a kind of Middle East defence system in relation to the Suez Canal base. Their reason for this is twofold: in the first place they do not believe it would be possible to keep the matter in the background, and, secondly, they have not yet so far imbibed the authoritarian doctrines which go with some of their methods as to be willing to go against what they believe to be public opinion. They will tell anyone who asks that they could force on their own people a settlement of both issues; but, they say, in the long run it would be valueless.

The Egyptian leaders argue somewhat in this fashion. The original Middle East proposals were very humiliating in their form and presentation and have been discredited in Egypt and everywhere in the Arab Middle East. It is useless, they believe, to try to convince the Egyptians that Russia is the main enemy when they have been brought up to believe that the "British usurpers" are the immediate enemy. Elsewhere in the Arab world, the view is reinforced by the Palestine question. The Arabs find it difficult to accept the idea that they must join a pact directed essentially against the threat from Soviet Russia while they feel the western powers are the mainstay of Israel. The Egyptian leaders bolster their own arguments with the Palestine issue but without feeling it acutely. To them, the issue at hand is the Canal Zone and British occupation of it. They are prepared to believe there might be a change in Egyptian opinion if evacuation was accepted and executed by Britain; but they are unwilling to anticipate that change of heart.

The Arab states tend to think Egypt goes too far in this matter. They believe that the new Administration in the United States might help them to improve their situation *vis à vis* Israel and may be discouraged by too rigid an Egyptian attitude towards the Canal Zone. It is for this reason, mainly, that the Levant press has been encouraged to complain of the independent policy which Egypt is pursuing. Furthermore, the Arab states want to be strong, and they feel that if the Canal Zone base can be maintained on terms which could be accepted as evacuation by Egypt, that base could be the cornerstone of Arab military strength. Then Israel will be forced in time to be reasonable.

It is at this point that Egyptian leadership may meet that of the other Arab states; for whereas the Egyptian leaders rule out any discussions of Middle East defence, they do not by that mean a vacuum. The Army leaders insist that they are realists who will agree to terms concerning technicians which will ensure the continuing efficiency of the base. From this they deduce that if Britain is sincere in its desire to negotiate a settlement and does not want to cloak continued "occupation" by thousands upon thousands of technicians, a settlement can be reached. How many technicians will be needed, they say, must depend on detailed discussions between army experts of both countries.

They presume, of course, that the whole Canal Zone base and more or less everythng in it will be Egyptian, and therein lies the difficulty of the British Government. It is no easy matter for Mr Eden to go before the House of Commons with proposals which involve British evacuation and the handing over of base installations worth hundreds of millions of pounds, without any advance guarantee that they will remain within the orbit of western defence arrangements.

The Egyptian leaders say that this argument against their claims is not well founded. Obviously the base would naturally stand to the advantage of Egypt's friends. It would, they say, encourage a growing friendship in the economic and military co-operation which it would foster. They contend that the obvious weakness of the Middle East is an objective fact of more value than all paper guarantees.

In short, they see Middle East defence growing from the co-operation of Egypt with its friends and then by the co-operation of the Arab states with Egypt and its friends. The Arab states would be strengthened to create air bases of their own, so that the whole mechanism of regional defence would steadily be built up without any conflict developing on nationalistic grounds. This mechanism would stand "at the ready." Perhaps, in time, it would be formally dovetailed by the Arabs themselves into the eastern Mediterranean system that Turkey, Greece and Jugoslavia are creating.

Whether the Chiefs of Staff or the Pentagon would consider such a vague prospect as of value to them is open

to doubt. It is presented here as an Egyptian leader might privately present it. In essence, it means recognition that some system of regional defence is necessary but that it cannot be negotiated from above. It must be, as it were, of indigenous growth and the guarantee of its purpose would lie in the fact that only with the help of friends could the Egyptians plant and sustain it.

Shopping Under Malenkov

IN the first days of April the new Soviet regime must have gained much popularity among its consumers. The housewife who went shopping paid half the former price for potatoes, vegetables and fruit and from ten to twenty per cent less for other main foodstuffs. Price reductions for clothing, footwear, household and other consumer goods ranged from 5 to 25 per cent. In the current year the cuts should allow consumers to save 46,000 million roubles in their purchases in state retail shops. This lowering of consumer prices was certainly a wise move, but it was not a radical departure from precedent, like the amnesty or the *volte-face* over the "doctors' plot." On the contrary, in this respect Stalin's successors have only administered a stronger dose of a favourite medicine. This is the sixth consecutive price reduction since the monetary reform of 1947.

By this method the planners have been passing on to the consumers at least a slice of the growing national income and have been restoring their standard of life from the appallingly low wartime level. The biggest cut came in 1950—when the success of the last Plan was assured. Then the annual saving from purchases in state shops was officially estimated at 80,000 million roubles and the prices of light industry products were affected as well as foodstuffs. In the following two years only the prices of foodstuffs were reduced and the saving amounted to 27,000 million and 23,000 million roubles respectively (it must, however, be remembered that each new cut is applied to a lower price level). Now the saving is doubled and the products of light industry are once again included.

SOVIET PRICES
(ROUBLES)

Commodity	Unit	1940	1950	1951	1952	1953	% Decrease 1953 over 1952
Rye bread	kg.	0·85	2·0	1·7	1·5	1·35	10
Wheat bread..	„	1·70	4·4	3·8	3·3	2·95	10
Buckwheat ...	„	3·0	4·3	3·65	3·1	2·80	10
Beef	„	10·5	20·5	17·5	15·0	12·75	15
Butter	„	21·0	40·3	34·3	29·0	26·10	10
Vegetable oil..	„	15·7	27·0	27·0	21·6	19·45	10
Eggs	unit	0·85	1·0 1·4	0·9 1·2	0·76 1·02	0·68 0·92	10
Tea	100 gms.	10·0	14·4	13·0	10·3	8·2	20
Sugar	kg.	3·8	13·2	13·2	11·9	10·70	10
Leather shoes .	pair	175·0	221·0	221·0	221·0	203·00	8

A cut in prices need not necessarily mean a corresponding increase in consumption. Both prices and supply are determined by the planners. A reduction in consumer prices is normally carried out through a cut in the turnover tax on that commodity. This sort of purchase tax—falling almost exclusively on consumer goods—is the main source of budgetary revenue; it brings in about half of the total. By linking the expected yield of the turnover tax with the "saving" it is possible to estimate how much the planners intend to boost consumption. But the budget for 1953 is still to come.

Unfortunately it is not possible to evaluate the Soviet standard of life on the basis of current prices because so little is known about the level of wages. The Russians have ceased to provide data on the wage fund and the average wage. Still, from the evidence available as well as from the alternative method of measuring average consumption, it appears clearly that the purchasing power of the Russian town-dweller has been rising steadily and is now greater than it was before the war. Progress is most marked in the case of foodstuffs. The Russian now consumes incomparably more than his wartime starvation diet and, with the exception of meat, considerably more than before the war. He has been promised a rise in real wages by about one-third in the current quinquennium, and since foodstuffs still account for the bulk of his expenditure, he looks like getting it.

It is logical that price reductions and increased supplies have been mainly concentrated on foodstuffs, since both in the period of reconstruction and that of the cold war the development of food production was less of a drain on scarce resources. Last year's successful harvest should by itself ease the task of supply, and if any substantial progress is made towards the exacting goals set for agriculture in the current Five-Year Plan this should allow a very great improvement in food supplies.

With industrial consumer goods, however, the solution is more difficult. In the years preceding the war the hard-working Russian was getting the first benefits from the planned industrial revolution that he had carried through and was promised much more for 1942. The war shattered these hopes and reduced almost to nothing the supplies of industrial goods to the civilian population. By 1950-51 the prewar level of consumption was roughly restored and—taking into account the growth of population—the Russians are promised for 1955 what they were already promised before.

A Break With Stalinism

It is in this field that unqualified comparisons with the West are most unfavourable to Russia. The economic might of the Soviet Union has grown tremendously in recent years. By 1955 even its per caput production of coal or electricity, steel or engineering will be comparable with the prewar output of many of the older industralised states. The per caput output of light industry, however, will still lag behind that of Third Republic France or Weimar Germany. The rapid expansion of basic production required heavy investment and the neglect of the immediate needs of the consumer.

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It would be idle to suppose that the average Russian thinks on these lines. He does not look beyond the curtain and through the official channels he is not told that his English or American counterpart gets, say, three pairs of shoes for his one, but only that the level of consumption in the West is not rising at the same pace as his own. Besides, looking backwards, he must conclude that two pairs of shoes every three years is better than one pair every year and certainly much better than walking barefooted. Napoleon used to argue that he feared nothing but hungry Paris. Malenkov and his associates may take comfort in the fact that the Muscovite, and the other Soviet town dwellers, are now better off than ever before.

This is only one side of the story. Stalinism was largely the product of this need to peg down consumption. Camps as well as the curtain were Stalin's reply to real or potential discontent. The new rulers, however, have started their reign as if it were their intention to purge Stalinism of its worst features. They released prisoners and attacked the secret police. Yet, to maintain themselves in power with less coercion they will have to think more of the material needs of the population. They will also need more industrial consumer goods if they intend to carry out reforms "on the path to Communism," particularly if they want to put into effect in the near future and without force the distant plan outlined by Stalin for the countryside—namely, the transformation of exchange relations between town and country into planned barter relations. But can the new rulers in the Kremlin afford partly to restore the balance between the development of heavy and light industry? With the powerful economic basis at their disposal even a small shift would pay handsome dividends.

Nigerian Setback

FROM OUR CORRESPONDENT

THE Nigerian house of cards has collapsed. Fifteen months ago the central Council of Ministers was set up with infinite care and patience under the new constitution. For fifteen months it has led a stormy but not unconstructive existence. But now four ministers have resigned—those from the Western Region, all members of Mr Awolowo's Action Group party, who with four colleagues from the east, four from the north, and six official members, formed the "Cabinet," under the Governor's presidency. Whether, or how, another complete Government can be formed is uncertain. The "daily miracle" is over; and if ever the work of rebuilding confidence can be resumed it will only be in far more difficult circumstances than before. This is the most serious setback British policy and Nigerian unity have yet had.

The occasion of the breakdown was unexpected. Shortly before the House of Representatives was due to complete its budgetary session, a private member's motion on self-government came up for debate. The northern members would not toe the line in setting 1956 as the target date; one of its members suggested an adjournment; in great excitement other members from east and west protested and walked out; the two party leaders, Awolowo and Zik, forgot the past and embraced; the western ministers resigned. But this brief account leaves out too much—everything, in fact, that makes the crisis intelligible.

What really did happen? It seems that Mr Awolowo's Action Group was predetermined to force to an issue the timetable for British withdrawal, and had made up its mind to have a showdown with the north, which is just as hostile to continued British "imperialism" as the south but sees no reason to exchange British for southern Nigerian domination by premature "independence." Either way Mr Awolowo stood to gain. If they refused to accept his date, he would still stand out as the champion of Nigerian freedom; if they agreed, it would be a major triumph for him. After various manœuvres, a motion for debate was put down by the assistant secretary of the Action Group, that "this House accepts as a primary political objective the attainment of self-government for Nigeria in 1956." In other words, let battle begin.

The first round was fought in the Council of Ministers. When the prospect of a debate was discussed there—and what happened has been very fully revealed by one of the western ex-ministers—it was questioned "whether the debate on a motion which set out to establish a target date for self-government would help or hinder the progress of a united Nigeria towards that unanimously agreed objective." To avoid public demonstration of the rift in the lute it was decided that members of the "Cabinet" would refrain from speaking or voting on the motion. This decision was reached on a vote, the six officials and the four northerners being in favour, three easterners neutral (these being the former Zikists who have split with Dr Azikiwe's National Council), one easterner and the four Action Group westerners against.

It appears that Action Group then decreed that their ministers should not abide by this decision, and when the debate began, one of them crossed the floor and announced his resignation. He was in rather a different category from the others, being the Oni of Ife, Sir Adesoji Aderemi, and a leading western chief, and he had previously told the Governor that he was "under compulsion" not to abide by the Cabinet's decision. The leader of the northerners, the Sardauna of Sokoto, had already moved an amendment altering "1956" to "as soon as possible," but another member moved the adjournment; at this point the House emptied of most Action Group and N.C.N.C. members, so that the motion for adjournment was carried in their absence. Later the resignations of the remaining three western ministers were announced. In fact, they resigned in protest against a cabinet decision which, owing to the course which the debate took, they had not had to implement. Resignation was their only course once they had been deprived of the pleasure of acting against the cabinet's decision and running the risk of dismissal by the Governor.

A special meeting of the western house of chiefs in Ibadan on Tuesday approved the resignation of the four western ministers from the central Council of Ministers and resolved that if asked to submit nominations for the vacancies on the Council the western region "will always submit the names of the resigned members."

Will the Heavens Blaze?

In effect this breakdown is worse than anyone expected because the tactics used have seriously alienated the North. This is indicated by the departure to London for consultation of the Governor, Sir John Macpherson. The two

fundamental problems of Nigeria—how to build up a trinitarian unity between three diverse regions, and the pace of movement towards self-government—have coalesced, and each is further complicated by the other. The breach with the North may be irreparable; already it is being asked whether northern representatives will ever come south again.

This major crisis has developed hard on the heels of the crisis in the east and the breakdown of the regional government there, and though the two crises are distinct, they were brought about by the same factors in the Nigerian political situation. As the country rushes towards nationhood, the impetus rapidly increases. The last stages are concertinaed, the extremists of yesterday become the "Uncle Toms" or "imperial stooges" of today, parties and politicians must steadily outbid each other to keep the lead. Zik made his come-back; Awolowo must run harder than ever to keep his position. Moreover, the fact that the Gold Coast is a neck ahead is important, and its leaders are believed to be preparing to extort a Coronation present of further concessions from Britain. If Nkrumah is the pacemaker, can Zik or Awolowo be far behind?

The great danger is that the situation may get thoroughly out of hand. Passions are rising and hooligans already shouting. Nigerian leaders so far lack the kudos of martyrdom. An incident which gave them this—and what then? True, it has been said that Nigeria is a place where the best is impossible but the worst never happens. The responsibility rests with Nigerian politicians.

Can M. Mayer Survive?

FRANCE appears to be moving constantly from one crossroad to the next with a crisis looming in every possible direction. Sometimes one feels that this picture is conjured up by journalists and members of a parliamentary opposition, with their vested interest in all trouble. Over the past ten days, however, and with the municipal elections due in the final week of April, it has become increasingly obvious that France has got itself into a dangerous *impasse*, both financially and in foreign policy. In France a politician's lot is not a happy one, and one can readily sympathise with President Auriol's decision not to stand for re-election in December. This signal, however, that the presidential derby is now open, will only intensify the inclination of many French party leaders to put personal ambition and a taste for intrigue above the need to encourage a sense of unity.

The most spectacular aspect of the present difficulties is the fact that the Treasury owes the Bank of France 105 billion francs and that the government will have to ask for a further extension on the recent loan of 80 billion with which M. Mayer has sought to tide over this difficulty. Far from there having been the expansion in economic activity on which the government had counted, there has been a slight recession, and France's foreign trade balance in March has deteriorated appreciably after some improvement had been registered in February. The March trade deficit, which amounted to some 29.5 billion francs was the severest since July last. At the very same time, however, France has a trade surplus of nearly 20 billion francs with its overseas territories, a fact which suggests that the flow of "hot money" to North Africa and the resulting inflation have in no way been checked.

Everyone is aware that the French government must finally make up its mind in favour of a certain measure of fiscal austerity if the budget is to be balanced. Expenditure, which amounted to 2,422 billion francs in 1950, reached 3,720 billion in 1952, and is estimated at 3,831 billion francs for this year. Corporation taxes will flow into the Treasury during April, and the gap in the budget is relatively modest compared to expenditure as a whole; because of this, the government may be tempted to tide over with stopgap measures. There is no realistic alternative however, to a substantial reduction in public expenditure, and although every government in turn has admitted this, the National Assembly is hardly prepared for draconian reforms. If M. Mayer insists on them, his days are clearly numbered and his government may never have to face the storm that will break over the ratification of EDC.

As M. Pleven has had to explain in Washington this week, it seems most unlikely that the EDC treaty will be debated in the Assembly before the summer recess, and even in the long run its ratification is doubtful. Part of the reason is the continued state of suspended animation with regard to the Saar. Without always appreciating the tremendously difficult task which Dr Adenauer has been carrying out, or the fact that Germany had to overcome a good deal of national feeling when it ratified the Bonn conventions, the French feel that the Germans must make concessions before they can be considered good Europeans. The Saar is the touchstone in present French political thinking and M. Mayer will not retreat from his insistence that some solution must be arrived at before France can ratify the EDC treaty. The Socialists, moreover, on whose vote ratification ultimately depends, are more anxious than ever to see whether some other solution can be found, in concert with the new Soviet mood, and want to wait to see what the outcome of the German elections in September will be.

This combination of a financial crisis at home and of a sense of exasperation in foreign policy may lead to a cabinet crisis after the Assembly reconvenes on May 12th. A good deal depends on the strength shown by various parties in the municipal elections. It is expected that no major changes will take place, although the Gaullists will lose a number of municipalities and may suffer losses in the Paris region. The Communists are expected to hold their own and the one man who will probably emerge with his position strengthened is M. Pinay with the Independents; his zeal for fiscal reform and loyalty to the franc have made a deep impression on the population. Whatever their losses, however, the Gaullists cannot change their position on the defence community and will have to withdraw whatever slight support they have given M. Mayer when the treaty comes up for debate.

Two major actors have recently returned to this confused and rather lethargic scene. General de Gaulle has concluded a very successful tour of the French territories in Africa, and M. Thorez is home from his long sojourn in Moscow. It is symptomatic of France's two strong men that one should be getting rather stout and acquiring the figure of the retired warrior, and that the other should be partially paralysed and forced into virtual retirement. The Communist messiah can do little except straighten out the tangled ambitions in his own party. De Gaulle, on the other hand, is increasingly out of touch with the voter. It looks, therefore, as if France will continue along a *via media* from stopgap to crisis and from crisis to parliamentary vacation.

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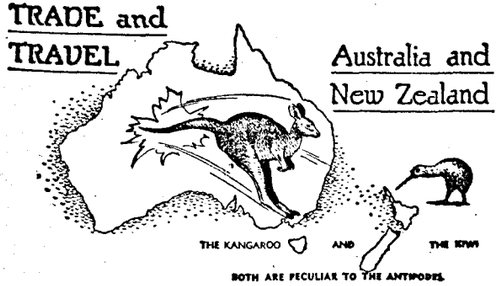
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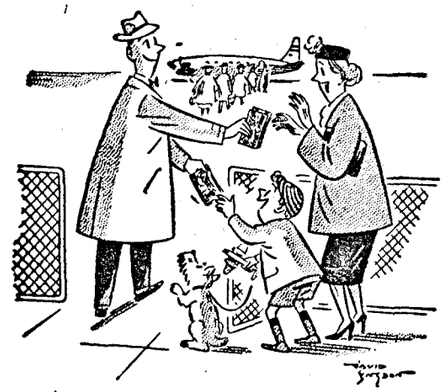
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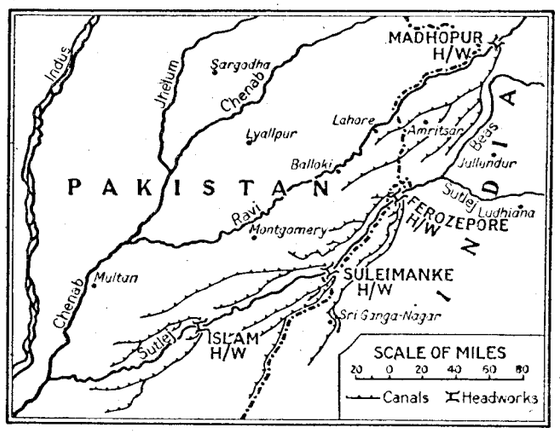
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Delhi and the Drought

FROM OUR CORRESPONDENT IN INDIA

INDIA'S latest reaction to Pakistan's concern about canal waters has been one of rather annoyed boredom. Almost everyone is so sure that Pakistan has no case that they ask themselves what they are being used as a scapegoat for this time—the drop in cotton prices or the anti-Ahmedya riots? As the Indians state it their case is simple. First, India considers its water to be its own, since there would appear to be no rule of international law imposing any burden on an upper riparian state for the benefit of a state lower down the river. The United States was not prevented, it is argued in Delhi, from building the Boulder Dam because Mexico was adversely affected. And if there are disputes in such cases, the usual way of settling them is by bilateral agreements or by bilateral commissions ; there is, therefore, no reason to go to third parties for arbitration, as the Pakistanis suggest. Delhi has on various occasions offered Karachi a commission composed of an equal number of representatives from each side.



Secondly, although India considers that it has this unrestricted right, it entered into an agreement with Pakistan in 1948 by which it undertook to reduce the supply of water to Pakistan only progressively, so that Pakistan could develop alternative sources meanwhile. The Indians claim that they have kept this agreement, but that Pakistan repudiated it in 1950 ; Karachi, they say, stopped paying the disputed amounts for "seigniorage" charges and the capital costs of certain works which it had promised to deposit with the Indian Reserve Bank. India is, moreover, prepared to accept arbitration on the validity of this agreement although an arbitrator might well find the relevant clauses difficult to interpret: they are more friendly than definite.

Thirdly, India has, in fact, not yet acted on its rights under the agreement. There are only two canal systems in dispute out of a total of 31: the Central Bari Doab from the Ravi, and the Dipalpur from the Sutlej. India has built no new canal works so far to use Ravi water, and the works which will use Sutlej water, the Harike and the Bhakra-Nangal, are not yet ready; the Harike weir and canals will only be finished in 1954, the Bhakra dam perhaps in 1959. The cut in water this season was purely the result of the drought which occurred last year in both Punjabs, and which over the period from September to December reduced the flow of the Ravi to 57 per cent of normal, and the flow of the Sutlej to 55 per cent. Since the total flow was thus reduced by drought, the flow to Pakistan was also reduced in proportion, but only in proportion.

The Indians admit, however, that the areas in Pakistan, especially in Bahawalpur, have suffered more because they are farther away from the headworks and have lost more of the water through seepage. But they assert that the ill effects have been aggravated by two purely Pakistani factors. There has been a considerable switch in Pakistan from wheat to cotton ; and cotton needs water for maturing just when the wheat should get it for sowing. And, whereas the Sikhs, who before partition held so much of the land in the Pakistani canal colonies, were first-class farmers of irrigated land, many of the Muslim refugees from India who have now taken their place were either not farmers at all, or were labourers, or else were used only to dry farming.

Finally, the Indians claim that it is they, not the Pakistanis, who have more cause for complaint. Five million refugees fled from west to east Punjab at partition and they have now to be supported in what was previously an underdeveloped area. Before India was divided, the British preferred to undertake irrigation works in west Punjab and Sind, where they could be partly paid for by selling Crown land, rather than in what is now the Indian Punjab where land was mostly privately owned. Taking the Indus basin as a whole, the population and the cultivable area are only slightly larger in Pakistan than in India: 22 million people and 45 million acres against 20 million people and 40 million acres. But Pakistan has 18 million irrigated acres and 66 million acre feet of irrigation water against India's 5 million acres and only 9 million acre feet.

Water from Six Rivers

Indeed, of the six rivers concerned, India can get nothing from the Indus, which carries just over half the total amount of water carried by all six put together, and for topographical reasons virtually nothing from the Jhelum. These two rivers flow only through Kashmir, and there the country is too mountainous for them to be used much. Of the water of the Chenab, too, India at present gets nothing, though it hopes to get 3½ million acre feet one day by building a tunnel through from the Chenab to the Ravi, and then a link canal to the Beas in Himachal Pradesh ; the idea, however, is that this will come out of waters at present flowing to the sea, and not from Pakistan's water.

It is only on the Ravi, the Beas and the Sutlej rivers, which between them have less than one fifth of the water of the Indus Basin, that India proposes, in due course, to divert water from Pakistan. The Harike weir would enable India to divert the Beas water (8½ million acre feet) and the Bhakra dam would store the Sutlej flood waters (this is not very important, as it involves only 1½ million acre feet). The Ravi water which goes to Pakistan is also only flood water, but some of that might eventually be diverted to the Indian Upper Bari Doab system.

The Indian interpretation of the agreement of 1948 is that Pakistan has undertaken to replace the water cut off by building a canal across the Punjab in order to bring water from the Indus and the Jhelum over to the Pakistan Ravi and Sutlej. Pakistan has already built one of the necessary canals and will finish another in a few months. What makes India uncompromising, however, is that, instead of building up the other, and vital, cross

canals, Pakistan is spending its money, and using its Indus water, on new barrages in Upper Sind and at Dehra Chazi Khan in the Punjab. This is felt to be an attempt by Pakistan both to keep its own water and to use international opinion to make India go on supplying Indian water as well.

For the moment, there is a slight lull while people await the report of the working party of Indian and Pakistani engineers which, with World Bank assistance, is drawing up comprehensive water proposals for the whole Indus Basin. Indians hope these will show that the area irrigated in India can be increased to 14 million acres and in Pakistan to 24 million acres. But no one in Delhi doubts that, if Mr Nehru and Mr Nazimuddin can meet, the two prime ministers will find the canal waters dispute very near, if not at, the top of their agenda.

World Economic Report—II

The Under-Developed Areas

FOR the less industrialised countries of Latin America and the Far East the years 1950-52 gave rise to a very special set of difficulties. The experience of these two groups of countries, all of them primarily producers of raw materials, followed a broadly similar pattern, but there were important variations both within and between the two groups, depending on the nature of the commodities they exported and on government policies.

The United Nations World Economic Report, reviewing a selected group of Latin American countries (Brazil, Chile, Mexico, Cuba and Argentina), finds that during the three-year period most of them exhibited two dominant characteristics. The first was a marked increase in inflationary pressure leading to a sharp rise in the cost of living, and the second was a substantial increase in imports that, more often than not, was greater than they could afford.

To some extent the rise in the cost of living throughout most of these countries was the result of higher prices for imports, but a more fundamental reason was the failure of domestic food production to increase as fast as private incomes. In all of them except Argentina, food production did rise by a moderate amount but expanded production as well as high export prices generated by the boom in raw materials, meant that private incomes increased even more swiftly. As Table I shows, Cuba alone managed to prevent inflation and it did this by raising food imports. Argentina, with the worst record of all in this respect, is a case apart. Technically speaking, it is not of course an under-developed country ; moreover, a poor grain harvest in 1951-52 and the decline in meat production coupled with a switch in government policy to higher controlled prices for agricultural products, all combined to drive up prices.

The second and equally disturbing feature of these Latin American economies was the large expansion of imports which in most cases turned a small trade surplus for 1950-51 into a sizeable deficit in the following year. While it is true that some of their exports suffered from the weakening of commodity markets—for example Brazilian cotton and Argentine wool—the continent, by and large, managed to maintain its exports reasonably well and to escape the wild fluctuations that marked primary producing countries in the Far East. They failed, however, to control their appetites for foreign goods. The big increase in imports was due partly to precautionary buying, partly to speculation, but it reflected also the abundance of easy money. Table II shows that the largest expansion of imports took place in manufactured consumer goods and producer goods.

Those under-developed areas of the Far East which chiefly produce raw materials and food were more successful than the Latin American countries at curbing at home the inflationary effects of the boom. Throughout the years 1950-52 the cost of living remained stable or rose only moderately in Ceylon, Pakistan, the Philippines, Burma and Thailand. In Malaya, however, the increase was 25 per cent, while in Indonesia the general price level almost doubled.

The relative success of most Far Eastern countries was due to a mixture of fortuitous circumstances and deliberate

TABLE 1.—INDICES OF COST OF LIVING
(1950=100)

Country	1951		1952	
	1st Half	2nd Half	1st Half	2nd Half*
Argentina:				
General	121	151	184	189
Food	118	154	191	200
Brazil:				
General	106	111	123	131
Food	102	108	120	132
Chile:				
General	113	131	141	158
Food	113	139	152	175
Cuba:				
Food	110	112	113	113
Mexico:				
General	107	118	127	130
Food	108	122	132	135

*Based on prices for 2 or 4 months.

acts of governments: internal prices were kept down by large imports of food and consumer goods, by the application of export duties, the operation of food subsidies and also by the fact that rising profits frequently went into the coffers of cautious plantation companies rather than into the pockets of peasant farmers with an itch to spend. In the one country where small farmers predominate—Indonesia—the increased profits in their hands led to an immediate rise in consumer spending.

The fluctuations during the boom and the subsequent period of setback were more violent in the Far East than in Latin America because such a large number of Far Eastern exports—rubber, tin, wool, copra—are especially vulnerable to swings in demand. The dollar value of exports from Asia as a whole was 17 per cent lower in 1951-52 than in the preceding year, and the earnings of individual countries fell even more steeply—Malaya, for example, suffered a drop of 26 per cent. The countries least affected were the food producers, Burma and Thailand.

The immediate economic interest of the industrialised countries of the west in this situation is obvious. How will reduced earnings affect the imports of the under-developed Far Eastern countries from the West? Much of the prosperity of the western world's export industries has sprung from the fact that throughout 1951 and the first half of 1952 these primary producing countries were flush

with money and falling over themselves to buy the manufactures of the West. As will be seen from Table II, almost half of these imports were in producer goods. By mid-1952 there was still no appreciable decline, but the report indicates that since then this group of countries has been compelled by lack of purchasing power to reduce its imports

TABLE II.—EXPORTS FROM U.S. AND WESTERN EUROPE
(Millions of U.S. dollars)

Commodity Groups	To selected Latin American countries			To selected Far Eastern countries		
	1950	1951	1952 1st Half	1950	1951	1952 1st Half
Foodstuffs	362	444	521	90	304	389
Raw Materials	162	248	210	113	220	294
Consumer Goods	737	1,050	1,063	288	427	437
Producer „	1,449	2,106	2,242	588	761	863
TOTAL	2,710	3,848	4,036	1,079	1,712	1,983

from the West. Food imports are the outstanding exception. Purchases of food either from neighbouring or western countries have in many cases remained stable or even increased.

(Concluded)

The Indonesian Jigsaw

FROM OUR CORRESPONDENT IN INDONESIA

THE trial in Jakarta of Sultan Hamid of Pontianak, who last week was sentenced to ten years' imprisonment, has again drawn attention to one of the deepest divisions in Indonesian politics. Before the recognition of the country's independence in December, 1949, Sultan Hamid was a leader of the Indonesian federalists—those who wanted to see the end of Dutch rule but opposed the creation of a unitary state. He was a member of the federal government that was constituted when the Dutch withdrew, but in April, 1950, he was arrested and charged with responsibility for the attempt to seize and kill members of the government that had been made in January by the Dutch freebooter Westerling. At his long delayed trial, he declared that he had allied himself with Westerling because he feared that the federal government would be subverted by the Jogjakarta republicans, whose aim was a unitary state.

This fear was, in fact, justified by events. By August, 1950, Indonesia had abandoned the federal system and transformed itself into a single republic. This rapid development was in part due to the fact that federalism was widely regarded as a Dutch device; it was the last Dutch governor-general who conceived the idea of a federal state, and during their long struggle against the Jogjakarta republic the Dutch encouraged the formation of autonomous political units in various parts of Indonesia. Yet the federal idea corresponded closely to some of the country's most obvious needs.

Indonesia covers a vast area. From Sabang in northern Sumatra to Merauke in New Guinea the distance is something like that from Ireland to the Black Sea. Wide stretches of water divide the islands from one another, and for centuries their peoples have been largely independent of centralised control and have developed their own special characteristics. The Jogjakarta republic, although drawing a surprising number of its leaders from the west coast of Sumatra, was based on the support of the overcrowded and land-hungry Javanese; and in the outer islands there was a real fear of Javanese domination, or even colonisation.

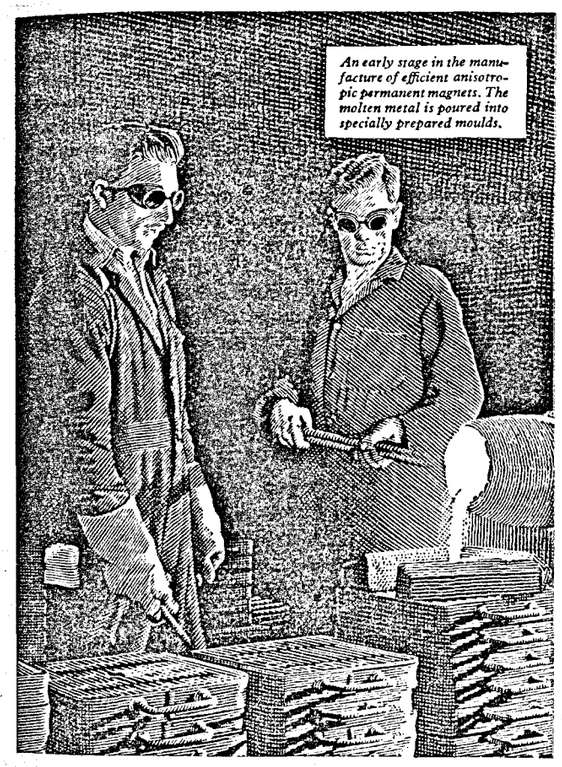
Regional feeling, indeed, still runs extremely high. Usually the people of a region will give their ungrudging support to none but a local man. One result has been the considerable measure of autonomy recently granted to south-east Borneo. The south Moluccas set up their own Ambonese republic, which for long resisted the forces sent against it by the central government, and even now these islands are unreconciled to Javanese domination. Only in south Sumatra has migration from Java been able to make much headway, and this is largely due to the sparse population and the undesirable nature of the countryside.

Nowhere, however, has Javanese interference met with such protracted resistance as in south Celebes. In 1950 the Buginese people of this area were divided, some of them supporting federation and others a unitary state; and a Javanese battalion was able to land, despite a preliminary repulse by forces led by Andi Abdul Aziz (who still awaits trial in Jakarta). The central government's hold remains



precarious, as is shown by the series of "Macassar incidents," and the current leader of the rebels in south Celebes, Kahar Muzakkar, may well be the true popular leader of the area. But, as he has long been openly fighting the government's forces, it could not easily reach a compromise with him without further loss to its already flimsy prestige. Its weakness enabled Colonel Warouw, an ex-guerrilla commissioned into the Indonesian army, to depose his superior officer, the commander in south Celebes, last November and then to get himself officially confirmed as commander of the territory. But although Warouw is in a fairly strong position *vis-à-vis* Jakarta, he is by no means unassailable in Celebes. A north Celebes man, he is in Buginese eyes a cut above anybody from Java, but not much above. His control is based on an ill disciplined body of troops which holds the balance between the Buginese on one side and the central government on the other; and for this reason alone he is now making some effort to come to terms with Kahar Muzakkar.

It is, indeed, an unhappy fact that some of the natural local leaders who could contribute usefully towards the development of a strong Indonesia are now permanently branded as rebels. This situation is liable to be complicated, as in south Celebes, by the tactics of ambitious politicians or army officers. More and more leading Indonesians are becoming convinced that some form of regional autonomy that respects the traditions of local peoples is essential.



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THE BUSINESS WORLD

The Budget Analysed

MEASURED by the standards of recent years, Mr Butler's second budget must seem to most people particularly difficult to understand. At the end of a year in which his realised budget surplus fell short of estimate by more than £400 million—and was, indeed, really no surplus at all, since it was almost wholly represented by the sterling "counterpart" of American aid—he has elected to give tax reliefs costing £169 million in 1953-54, £259 million in 1954-55 and possibly over £400 million eventually. But if the general shape of this "incentive" budget looks paradoxical, it yet conforms to the most recent forecasts—or, at least, to the more sophisticated among them.

If there is room for surprise, it is that it embraced virtually every one of the major reliefs that had been discussed at all seriously, went further in purchase tax concessions than had been expected, yet imposed no new taxes and no cuts in subsidies beyond those already projected. The standard rate of income tax and each of the "reduced" rates have been cut by 6d.; EPL is to end on December 31st next; initial allowances are restored forthwith (at 20 per cent for plant and machinery); purchase tax on the main classes is cut by one quarter (with still bigger concessions on a few selected articles); and there are some miscellaneous minor reliefs.

To those who had already digested the implications of the Economic Survey (analysed in *The Economist* a fortnight ago) there will, of course, be no paradox in this approach. But the Budget speech itself made no attempt to supply the statistical argument by which the bewilderment of others might be resolved. The Chancellor's figuring was, indeed, cast in the conventional pattern of budget accounting that is apt to be misleading rather than revealing. He showed that prospective "above-line" expenditure, at £4,259 million, will be £91 million less than was actually spent (though £109 million more than originally estimated) last year, and that prospective revenue, on the old basis of taxation, would have been £99 million larger. Hence he was confronted by an improvement in his "above-line" surplus, on the conventional reckoning, by £190 million, to £278 million; so that even after cutting taxes by £169 million he was able to show a bigger prospective surplus than that achieved in 1952-53—one of £109 million.

Misleading Arithmetic

It is not in such figuring as this, however, that justification for tax reliefs can be found. And that would still be true even if it were not the fact that almost the whole of the prospective improvement in the conventional surplus, before tax changes, was attributable to capital items or purely nominal credits. Most of the £169 million expected gain in income tax was apparent rather than real, since it resulted from the new "net" basis for profits tax, the yield from which (and from EPT) is expected to drop by £161 million. The expected net gain in total ordinary revenue was, in fact, represented by the £97 million additional yield that should come from EPL, and this revenue has to be regarded simply as a transfer from the tax reserves or other undistributed profits of businesses. Moreover, the income tax estimate takes credit for a considerable yield from the suspension of initial allowances effected by Mr Gaitskell (and now made applicable only to expenditure incurred in the fiscal year 1952-53), which likewise will be at the expense of company savings.

Similarly, on the expenditure side, £55 million of the expected decline of £91 million results merely from the crediting of a larger sum from the "counterpart

fund," whilst nearly all the remainder reflects cuts in capital outlays that cannot properly be included in a budget surplus—a reduction of "strategic" stockpiling and a much increased rate of actual decline in other Government stocks (owing to the coming cessation of Government trading in grain). If the counterpart fund had not been brought in, the "conventional" above-line surplus would have been only £138 million before the tax changes, and would have been converted by those changes into an "above-line" deficit (comparable with the above-line figures for all previous years except 1952-53) of £31 million. On the "alternative" classification, which excludes capital items, the exclusion of the counterpart fund would still have left an above-line surplus of £288 million before and one of £119 million after the tax changes, compared with £190 million achieved in 1952-53.

THE TAX CHANGES

	Estimate for 1953-54	Estimate for a Full Year
	£	£
INLAND REVENUE :—		
Income Tax :—		
Reduction of 6d. in the standard rate and in each of the reduced rates	−117,000,000	−134,000,000
Increase from £500 to £600 in the income limit for age relief	− 1,000,000	− 2,500,000
Increase from £50 to £60 in the dependent relative and housekeeper allowances	− 3,500,000	− 4,250,000
Income Tax and Profits Tax :—		
Restoration of initial allowances at 10 per cent for industrial buildings, 20 per cent for plant and machinery and 40 per cent for mining works	nil	− 84,000,000*
Income Tax, Profits Tax and Excess Profits Levy:—		
Removal of limitation on unilateral double taxation relief	− 2,750,000†	− 3,000,000
TOTAL INLAND REVENUE	−124,250,000	−227,750,000
CUSTOMS AND EXCISE :—		
Customs :—		
Mechanical lighters	negligible	negligible
Excise :—		
Entertainments duty	− 220,000	− 230,000
Purchase tax	− 45,000,000	− 60,000,000
TOTAL EXCISE	− 45,220,000	− 60,230,000
TOTAL CUSTOMS AND EXCISE	− 45,220,000	− 60,230,000
MOTOR VEHICLE DUTIES	negligible	negligible
Total	**−169,470,000**	**−287,980,000**

EXCESS PROFITS LEVY :—No figure for the cost of terminating the Excess Profits Levy as from January 1, 1954, is included in the above table. The revenue of the current year will not be affected and the cost in 1954-55 will be £5,000,000. At current levels of profits the ultimate cost of repeal in a full year is estimated at £125,000,000.

* The cost in 1954-55 will be £50,000,000.

† Dividend approximately as follows :—Income Tax, £1,250,000; Profits Tax, £1,000,000; Excess Profits Levy, £500,000.

The Real Explanation

Dissection of the figures on these lines should disabuse those commentators who regard the "new look" in the Budget as evidence that Mr Butler has abandoned the Keynesian approach and is reverting to prewar criteria. What he has done is to follow Keynesian principles and then to try to justify his conclusions by the old-fashioned accounting. Those principles led him to give full weight to the existence of "slack" in the economy and to conclude that, despite the huge shortfall on the 1952-53 budget estimates, it was safe and wise to give tax reliefs. But he expressed this, in budgetary terms, by concluding that he could safely reduce his prospective surplus provided that he retained "rather more than was realised last year." Yet, as the above analysis shows, on the true "alternative" classification he is retaining less; and, on the conventional basis, is really in deficit. Moreover, he has had to reckon upon an increase in "below-line" expenditure from £656 million to £696 million gross and from £524 million to £549 million net—principally because loans to local authorities are put at only £12 million less, at £400 million (foreshadowing only a very small response by the authorities to their new freedom to borrow in the market), while £22 million is to be expended by paying war damage claims on business chattels. The overall deficit is expected to rise from £436 million to £440 million (or, before taking credit for defence aid, from £521 million to £580 million).

The key to this seemingly paradoxical budgeting lies, in fact, not in the Exchequer figures, but in the scope for increased production—scope that arises from the fact that production declined last year because of the contraction of demand, whereas the creation of new capital equipment in industry and the easing of the steel shortage should have raised productive capacity still further. Production has recovered from its low level of last summer because demand has recovered; and the "incentive" budgeting is founded on the hypothesis that the spontaneous recovery of demand will not be strong enough to raise production as much as it could safely be raised. The Chancellor reckoned that the additional "real" resources that will be absorbed by the defence programme, by "small" expected increases in fixed investment and consumption, and by "some"

EFFECT OF TAX CHANGES

	Exchequer Receipts in 1952-53	Estimate for 1953-54 at 1952-53 Tax Rates	Estimates for 1953-54 at New Tax Rates
Ordinary Revenue :—	£'000	£'000	£'000
INLAND REVENUE			
Income Tax	1,736,233	1,905,000	1,782,250
Sur-tax	131,200	127,000	127,000
Death Duties	151,850	160,000	160,000
Stamps	50,250	52,000	52,000
Profits Tax and Excess Profits Tax	376,100	215,000	214,000
Excess Profits Levy	2,950	100,000	99,500
Special Contribution and other Inland Revenue Duties	2,020	1,000	1,000
	2,450,603	2,560,000	2,435,750
CUSTOMS AND EXCISE			
Customs	1,024,498	1,044,300	1,044,300
Excise	739,093	725,700	680,480
	1,763,591	1,770,000	1,724,780
MOTOR VEHICLE DUTIES	67,658	69,000	69,000
TOTAL RECEIPTS FROM TAXES	4,281,852	4,399,000	4,229,550
Post Office (Net Receipts)	...	2,685	2,685
Broadcast Receiving Licences	14,800	16,000	16,000
Receipts from Sundry Loans	24,681	25,000	25,000
Miscellaneous	117,382	95,000	95,000
Total Ordinary Revenue	**4,438,715**	**4,537,685**	**4,368,215**
Self-Balancing Revenue :—			
Post Office	209,900	224,615	224,615
Income Tax deducted from Excess Profits Tax, Post-war refunds	5,192	3,300	3,300
Total Self-Balancing Revenue	**215,092**	**227,915**	**227,915**

increase in stocks and work-in-progress and exports will call forth an additional output of only about the extent of last year's fall in output—allowing for the fact that part of this year's demands will be met by an increase in imports.

This is equivalent to saying that output, if not specially stimulated, would not rise perceptibly above its present level (already well above the 1952 average, but slightly below the 1951 average); and at that level the economy would not be getting any return from the "productive" investment that has taken place in the past two years. But, argued the Chancellor, "we must not be content with this. We can, and we must, do much better." Therefore, he applies the stimulus of tax reliefs, and seems to be hoping that these may call forth a further increment of output of about £150 million, of which perhaps two-thirds would be absorbed into consumption and one-third into additional productive investment. It is noteworthy that some £45 million of the income tax relief will accrue to companies, so that the personal reliefs and purchase tax concessions account for about £120 million this year.

The Chancellor's hope for production is not, on the face of it, an immoderate one. Indeed, a production increment of £150 million, over and above the increment that is already reasonably in sight for this year, would be equivalent to barely half the gain in productivity that occurred in 1951, which was a poor year. It ought not, of itself, to threaten a recrudescence of inflationary pressure on costs—which, if it occurred, would utterly condemn this "new direction" of budget policy. But if this danger is to be kept at a safe distance, and if the Chancellor is to have as much margin for flexibility in the economy as he obviously thinks he is retaining, it is imperative that the habits of restraint born of last year's disinflation shall persist. In particular, there is need to ensure continued economy in the use of stocks. And that will not be attained unless monetary policy is kept taut.

The fact that the Chancellor is deliberately stimulating investment and consumption must not, therefore, be construed as giving a green light to the banking system in its lendings. On the contrary, the justification for taking some risk in fiscal policy, in the hope of breaking out of the vicious circle of these postwar years, lies precisely in the fact that a flexible monetary policy is available to meet danger if it arises. The most reassuring feature of the Chancellor's speech is its indication that he realises this. "The budget," he said, "will not be operating alone, but in combination with monetary policy"—and appearances now suggest that this year's conditions "will require broadly a continuation of the monetary measures in operation now."

Tax Reliefs for Industry

"LIGHTLY burdened and nimbly competitive" was the posture prescribed for British industry by the Chancellor. His tax reliefs for industry were given for competitive improvement, modernisation and re-equipment. The Chancellor's first concession—by no means an unexpected one—was to reinstate the system of initial allowances that had been discontinued by his predecessor Mr Gaitskell in the 1951 Budget as from April 6, 1952; it is more than a little ironical that this year Mr Butler gains the first real benefit in revenue of the suspension that has been in force for the past twelve months, whilst the reinstatement of the allowances (oddly enough, on capital expenditure incurred after Budget day, not after April 6, 1953) will not involve him in any loss of revenue until 1954-55 (£50 million) and thereafter at £84 million for a full year.

The initial allowance will be 20 per cent for plant and machinery (Mr Gaitskell suspended the allowances when they were 40 per cent), 10 per cent for industrial buildings and, exceptionally, 40 per cent for capital expenditure on new mining works (though not the plant and machinery that may go with them). Although the loss to the Exchequer is much deferred owing to the familiar delays in accounting work, the incentive effects that the Chancellor seeks are expected to show themselves fairly quickly. But the initial allowances are a gift horse that would appear on a race card as "aged"—a certainty, indeed, but one whose mouth requires examination. Those followers of the industrial handicap who have long memories will recall that Sir John Anderson (as he was in 1945) introduced the initial allowances at 20 per cent as a means of providing post-war finance to needy industry. In 1949, Sir Stafford Cripps offered 40 per cent as a means of redressing the injustice of historical costs; two years later Mr Gaitskell gave advance notice to suspend them because demand for capital resources was excessive.

Now Mr Butler offers 20 per cent as a stimulus towards increased investment, higher output and lower costs. No doubt there will be some such impetus. But it could easily be exaggerated. Industry has become more familiar with the once esoteric principle that after a period of years of steady investment, the initial allowances amount to a fixed but revolving pool of interest-free loans; if the rate of allowance or of new investment slackens, the loans became repayable. A formal exercise in the working out of the allowances since they were introduced with effect from 1944-45 suggests that Mr Gaitskell's suspension may have brought many companies within the danger area of enjoying no current depreciation allowance (and therefore involved in higher tax payments). Mr Butler's 20 per cent may do little more for such cases than to relieve them from the necessity to repay further sums in

1954-55. But by that time (although his speech did not make the point explicitly) Mr Butler may be engaged on a major recasting of industrial taxation, fortified by the conclusions of the Royal Commission—in which, without doubt, the working of the initial allowances will have full consideration.

One of the matters on which Mr Butler deserves the heartiest congratulation fell almost unremarked by the House of Commons last Tuesday. The Chancellor has given notice that the Excess Profits Levy will terminate at the end of this calendar year—a step argued in these columns, but widely reckoned to be politically difficult. The case for the disappearance of the tax was argued with all the conviction that was to be expected of an unwilling foster-father landed with such an ungainly foundling on his doorstep. No part of his incentive budgeting for industry would have stood intact so long as EPL remained. Its disappearance with only two years' standing puts it among the shortest-lived of all impulsive fiscal measures. But these two years have yet to produce their doubtful fruits—Mr Butler counts on £100 million this year and "rather more" than £100 million in 1954-55. In other words, EPL will be a factor making for industrial dis-saving for a full two years after the immediate impact of the benefit of the 6d. reduction in the standard rate of income tax.

For that reason, it seems desirable to reckon the effects of the two changes in two phases, as is done in the accompanying table. This shows the effects of the two stages, and compares them with the pre-Budget tax situation, for companies at three assumed levels of profits, and three assumed rates of distribution. After the two stages have been completed—that is, after the remission of EPL has become effective—companies will pay out 61½ per cent of their profits in income tax and profits tax if they make a "full distribution," 57½ per cent if they distribute a notional half of their profits before tax, and 47½ per cent if they pay no dividend at all. The telling comparisons are in the last section of this table, showing the percentages of profits absorbed in taxes on the various assumptions. Where no EPL has been payable (Division I) the total saving in tax compared with the pre-Budget impost is small—up to 2½ per cent to mark the change in the standard rate. The truly important savings are shown in Divisions II and III. For example, a 50 per cent gross distribution with chargeable profits of 150 would have cost no less than 70 per cent in income tax, profits tax and EPL before the Budget changes; the same distribution will eventually cost 57½ per cent in total taxes, and leave a residue to augment reserves equal to 15 per cent of the profits. Again, where chargeable profits reached 200, a 50 per cent distribution was impossible before the Budget, since the maximum distribution amounted to 48.3 per cent—at which 74.6 per cent of total profits was absorbed in taxes. A 50 per cent distribution will in future attract the 57½ per cent in taxes already referred to, leaving 15 per cent of profits to be retained.

In the fulness of time, therefore, the gain to industrial savings and thence to industrial improvement resulting from the combination of the disappearance of EPL and the 6d. reduction in the standard rate of income tax should be most material. The latter, according to the Chancellor's calculations based on current levels of profits and distributions, should provide an immediate relief of no less than £45 million on the undistributed profits of companies—a "very potent augmentation" as he claimed, to company reserves, and one that could not have been provided with similar immediate force except through a revision of the profits tax. Industrialists will note that Mr Butler made no reference (except on a technical point) to the profits tax; it may be early to infer that no revision of rates is in the Chancellor's mind after the end of EPL—but by that time, in any case, the largest issues of company taxation will be before him.

STANDARD PROFITS FOR EPL = 100

	I. Chargeable Profits = 100			II. Chargeable Profits = 150			III. Chargeable Profits = 200		
	Full Distrib.	50% Distrib.	Nil Distrib.	Full Distrib.	50% Distrib.	Nil Distrib.	Full Distrib.	50% Distrib.	Nil Distrib.
Phase I. Tax at 9s. in £, E.P.L. at 30%:									
Income Tax (9s. in £)	45·0	45·0	45·0	67·5	67·5	67·5	90·0	90·0	90·0
Undistributed Profits Tax (2½%)	2·5	2·5	2·5	3·75	3·75	3·75	5·0	5·0	5·0
E.P.L. (30%)	—	—	—	15·0	15·0	15·0	30·0	30·0	30·0
Distr. Profits Tax (20% of *gross* dividend)	14·0	10·0	—	17·0	15·0	—	20·0	20·0	—
Net div. (*after* 9s. tax)	38·5	27·5	—	46·75	41·25	—	55·0	55·0	—
Retained Profits (net)	—	15·0	52·5	—	7·5	63·75	—	—	75·0
TOTAL	100·0	100·0	100·0	150·0	150·0	150·0	200·0	200·0	200·0
Phase II. Tax at 9s in £, no E.P.L.									
Income Tax (9s. in £)	45·0	45·0	45·0	67·5	67·5	67·5	90·0	90·0	90·0
Undistributed Profits Tax (2½%)	2·5	2·5	2·5	3·75	3·75	3·75	5·0	5·0	5·0
Distr. Profits Tax (20% of *gross* dividend)	14·0	10·0	—	21·0	15·0	—	28·0	20·0	—
Net div. (*after* 9s. tax)	38·5	27·5	—	57·75	41·25	—	77·0	55·0	—
Retained Profits (net)	—	15·0	52·5	—	22·5	78·75	—	30·0	105·0
TOTAL	100·0	100·0	100·0	150·0	150·0	150·0	200·0	200·0	200·0
Percentages of total tax to profit:									
Phase I	61·5	57·5	47·5	68·8	67·5	57·5	72·5	72·5	62·5
Phase II	61·5	57·5	47·5	61·5	57·5	47·5	61·5	57·5	47·5
Pre Budget	63·8	60·0	50·0	71·0	70·0	60·0	74·6	74·6*a*	65·0

(*a*) Maximum distribution is 48·3 per cent.

Some technical changes in tax law to give effect to certain "Tucker One" recommendations and to some of the proposals of the Royal Commission in their recent interim report should be noted. It would appear that various devices for avoidance that are open to partnerships following the decision in *Osler* v. *Hall* are to be stopped. On the taxation of overseas profits, the Chancellor proposes to give a legal option (in replacement of the present administrative concession) to defer payment of tax on profits blocked in foreign currencies and to make the full concession of unilateral relief for double taxation. These two courses were urged by the Royal Commission's interim report, but there was no mention in Mr Butler's speech of the recommendations in that report on "Pioneer Industries Concessions" granted by certain Colonies, which are valueless in the hands of United Kingdom residents. Other "Tucker One" reforms include the carrying forward of trading losses for one year to set off against other income (reversing the *Odhams Press* v. *Cook* decision) and relief for payments made by companies towards the trading losses of associated companies. The Chancellor also proposes to reverse the decision in *Hall* v. *Marians* to stop the "small loophole" whereby income arising abroad is offset by a loan enjoyed in this country, thereby avoiding normal tax. Thus, on balance, the Chancellor in these technical changes has been more concerned to release some fiscal traps than to stop up earths where the harried taxpayer seeks escape.

Personal Income Tax Changes

THE reduction of 6d. in all four rates of income tax will cost the Exchequer £117 million in 1953-54 and £134 million in a full year, but about £45 million of this should accrue to the undistributed profits of companies. Taken in conjunction with last year's changes, this means that the first £100 of taxable income will now be charged at 2s. 6d. in the £, the next £150 at 5s., the next £150 at 7s., and the rest at the new standard rate of 9s. (with surtax, unchanged for the next two years, beyond £2,000). Mr Butler has also thrown in three other minor income tax reliefs with an avowedly social purpose. He has given away £3,500,000 in 1953-54 (and £4,250,000 in a full year) by increasing both the housekeeper's allowance and the allowance for aged or infirm dependants from £50 to £60; and he has given away £1 million in 1953-54 (and £2,500,000 in a full year) by raising from £500 to £600 the income limit for age relief—in other words people over 65 whose total incomes do not exceed £600 can now claim the earned income allowance on their investment income.

These reliefs have aroused two criticisms. The first, which is quite unjustified, has come from those who have manœuvred themselves into the invidious position of claiming that all reliefs on income tax are regressive—and have thus laid themselves open to the charge of believing that to go on increasing income tax is the progressive thing to do. It is true that income taxes—and therefore income tax reliefs—do not begin to affect the single man until he is earning some £175 a year, and the married man with three children until he is earning some £600 a year. It is also true that—to take one group only—the married man with one child will secure only £2 7s. of new income tax relief if he is earning £500 a year, £12 1s. 4d. if he is earning £1,000 a year, over £231 if he is earning £10,000 a year, and will enjoy an increase in his net income from £5,755 to £8,248 if he is securing a gross investment income of £100,000. But since surtax rates remain unaltered it is nonsense to lay great emphasis on exotic calculations of this sort; even when allowance is made for them, those with net incomes below £1,000 a year will still enjoy nearly 90 per cent of the net disposable

1952-53 OUTTURN AND 1953-54 BUDGET ESTIMATE
CONVENTIONAL FORM OF ACCOUNTS
(£ million)

ABOVE THE LINE

Revenue	1952-3 Estimate	1952-3 Outturn	1953-4 Estimate	Expenditure	1952-3 Estimate	1952-3 Outturn	1953-4 Estimate
Inland Revenue	2,619	2,451	2,436	Interest on Debt	540	577	580
Customs and Excise	1,815	1,763	1,725	Sinking Funds	35	35	35
Motor Duties	64	68	69	Northern Ireland	40	45	48
				Miscellaneous	10	10	10
TOTAL TAX REVENUE	4,498	4,282	4,230	TOTAL CONS. FUND SERVICES	625	667	673
Trading Services and P.O. (Net Receipts)	12	...	2	Supply:—			
Broadcast Licences	15	15	16	Defence	1,377	1,404	1,497
Sundry Loans	26	25	25	Civil	2,181	2,231	2,045
Miscellaneous	110	117	95	Tax Collection	48	49	44
				TOTAL SUPPLY	3,606	3,684	3,586
Total Revenue	**4,661**	**4,439**	**4,368**	**Total Expenditure**	**4,231**	**4,351**	**4,259**
				Less 1952 Budget changes†	*80*	...	...
				Total, after 1952 Budget changes	**4,151**	**4,351**	**4,259**
				Surplus	**510**	**88**	**109**
	4,661	**4,439**	**4,368**		**4,661**	**4,439**	**4,368**

BELOW THE LINE

Receipts				Payments			
Interest outside Budget	61	64	88	Interest outside Budget	61	64	88
Export Guarantees:— Repayments	3	2	2	Export Guarantees	1	1	1
Housing Receipts from Votes	21	21	21	Postwar Credits	17	16	16
Local Authorities:— Repayments	16	17	20	Excess Profits Tax Refunds	6	6	4
Raw Cotton Commission:— Repayments	...	22	10	War Damage	70	58	80
Coal Nationalisation:— Repayments	4	4	4	Scot. Special Housing	7	9	9
Film Corporation:— Repayments	1	1	1	Armed Forces:— Housing	13	6	7
Other Repayments	1	1	1	Loans to Local Authorities	360	412	400
				Loans to Northern Ireland Exchequer	6	8	4
				Loans for New Towns Development	23	24	34
				Loans to Film Corporation	1	1	1
				Town and Country Planning:— Issues to Central Land Board	6	3	1
				Coal Nationalisation:— Working Capital, etc.	16	41	45
				Raw Cotton Commission:— Working Capital	14	...	...
				Overseas Resources:— Colonial Development	11	7	8
Total Receipts	**106**	**132**	**147**	**Total Payments**	**612**	**656**	**696**
Net Sum borrowed or met from Surplus	**506**	**524**	**549**				
	612	**656**	**696**		**612**	**656**	**696**
Total Receipts	**4,767**	**4,571**	**4,515**	**Total Payments**	**4,763**	**5,007**	**4,955**

* After abatement of gross defence expenditure by equivalent of sterling counterpart of defence aid, amounting to £85 million in 1952-53 and £140 million in 1953-54,
† Approximate net figure for reduction of food subsidies and increase in benefits, etc., und. the 1952 Budget proposals.

purchasing power in this country, and will still pay rather less than half of the total direct taxes.

A much more serious criticism is that the Chancellor would have done better to concentrate his reliefs on the earned income allowance (which remains at two-ninths) instead of on the tax rates; and certainly he would have been wise to extend the earned income allowance beyond the £2,000 a year mark, for it is at this level that the disincentive effect of the jump in marginal rates of tax is most marked. Mr Butler's answer would presumably be that any further tinkering with earned income allowances would have had to be accompanied by a reduction in profits tax if companies were to gain as well as individuals; and direct, as distinct from circuitous, reductions in profits tax rates are still politically out of fashion.

From Purchase Tax to Cricket

THE changes proposed in purchase tax are sweeping. They will cost some £45 million this year and £60 million in a full year. They affect all classes of goods except clothing and textiles which were converted from utility to "D" schemes last year, and represent a cut of a quarter. Goods previously taxed at the rate of 100 per cent—jewellery and furs, cosmetics, mirrors, china figures, pictures, electric fires and certain water heaters—come down to 75 per cent. The 66⅔ per cent rate that applied to passenger cars, radio and television sets, and most gas and electric household appliances comes down to 50 per cent, and the next lowest general rate, 33⅓ per cent, is reduced to 25 per cent. This last category includes most household goods, including furniture, wallpaper, stationery and drugs, as well as commercial vehicle chassis, cycles and motor bicycles.

A few further changes are being made to meet special cases. Batteries and accumulators for radio sets become exempt from tax. Taxis, electric goods vehicles, and pianos are also freed from the tax. An important concession is made for the three-wheeled "mechanically propelled tricycles" that are, in fact, an ingenious variation of a side-car combination. Because the driver is under cover as well as his passenger, these until now have been classed as a passenger car and taxed at 66⅔ per cent; they will in future be recognised as motor-bicycles and taxed at only 25 per cent. Umbrellas and sunshades get a similar tax relief, but only if they are, in the Chancellor's words, "common and trusty." The more exotic article will be taxed at 75 per cent. The Chancellor gave the House notice that his financial resolution would prevent members from haggling in committee about the rates of tax on individual articles.

These changes in tax have naturally provoked complaints from retailers about tax-paid stocks. Total stocks of goods in all taxable categories in retailers' hands at the end of January were probably in the region of £350 million in value, at prices including 1952-53 rates of purchase tax. A good deal of spring stock must have been taken in since then, but much of this would have been clothing and textiles, neither of which are affected by this year's tax changes. A proportion of the clothing, furniture, stationery and chemists' goods included in current stocks attracts no tax whatsoever, and a further proportion, brought under the "D" schemes last year, has a certain tax-free element in its price. There is nothing to show how much of this total value of stocks represents tax already paid on goods, or how much of the taxed stock is affected by the new changes in the rates of purchase tax. The Hutton Committee that only recently—and, as it turned out, prophetically—reported on the stock losses suffered by retailers when the rates of tax are reduced, estimated that the tax paid on stocks held "at any time" might amount to £75 million.

When rates of tax on textiles were reduced last year, retailers were able to avoid heavy book losses on stock on which tax had been paid at the old rate, by averaging out the price of old and new merchandise. They have less scope for doing so this year, as a higher proportion of the goods affected by the latest tax reductions are probably either branded and nationally advertised or subject to resale price maintenance, and thus unsaleable at more than the new price. On the Chancellor's estimates, the new concessions represent about a fifth of the total yield of purchase tax last year so on the broadest of guesses retailers might have to write down the value of their stocks by £15 million or more. Some of them, of course, have managed to avoid loss by "sale-or-return" agreements; these have become almost universal in the motor trade and increasingly common in the radio and durable consumer goods fields. Variations on this system have been developed whereby the retailer pays for the goods on delivery, but the manufacturer still retains some right to those goods, and tax need not be paid so long as they remain unsold.

★

Finally, the Chancellor has added in sundry pittances of relief—which will cost £220,000 in 1953-54—to the £124 million he has given away on income and profits tax and the £45 million on purchase tax. It is an apt welcome to Lindsay Hassett and his men that cricket led the way among these sundries, and received the loudest cheer in the House. It will be freed from entertainments tax altogether, as will the amateur stage and amateur sport. This last relief is one that the Treasury has had in mind for some time, but it had run into constant difficulties of definition. The definition now adopted is that any club that enjoys the relief must be "established and conducted for the promotion and furtherance of amateur sport and not conducted or established for profit"; in addition, none of those actually taking part in the game must be paid for it. Professional sportsmen, who have had to be content with a codification of the mighty muddle about entertainments tax on season tickets, have already objected loudly to this discrimination. Certainly it seems that the Courts may have some difficulty in defining what is "shamateurism"—and what is plainly not cricket.

Among his other changes Mr Butler proposes to allow authors to spread the first two years of receipts from royalties on any of their books in the same way as they can already spread lump sum payments received for outright sale of their copyrights; the Royal Commission on Taxation is studying the case of professional boxers and others who clamour for similar dispensation. Farmers who are hit by foot-and-mouth disease get another special, and reasonable, concession; they will be given a further opportunity to elect for the herd basis of compensation.

The welcome for the Budget will stop short at Lands End, for the Chancellor has decided that income and profits arising in the Scilly Isles can no longer escape taxation. The Scilly Islanders, who suffer from inordinately high transport costs and certain other disabilities, have some grounds for complaint about this, and more will be heard of this matter in Committee; but a blanket relief from income tax was clearly not the right way to subsidise them.

On first impression this Budget, besides being better than many, looks tidier than most. Last year's farce, when substantial sections of the Finance Bill were found to be so leaky that they had to be rewritten in Committee, should not be repeated. The Chancellor seems to have done a workmanlike job on the basis of the figures presented to him by his experts. And those figures themselves seem as reasonable a compromise as could be struck at a time of inconveniently changeable economic weather.

Business Notes

Cautious Revel in the Markets

A BUDGET that gave the stock markets virtually everything that the optimists had hoped for—except relief from stamp duty—was bound to lead to an early revel in Throgmorton Street. The big question, which remained unanswered after two days of post-budget dealing, is whether the new fiscal order will bring sufficient funds into the market to support—and carry forward—the initial marking up. Under the rallying cry of tax reliefs, dealers came early to the "House" on the Wednesday to find that the jobbers had already marked prices up in all sectors of the market except in commodity shares. In the event, they had to mark some of them down again before the close. Gilt-edged were one of the few sections that did better than originally expected. Although the shorts, which had been supported on Tuesday in some fond and false hopes of a reduction in Bank rate, merely held steady, the mediums and longs advanced throughout the day—to finish between ⅛ and ¼ higher. There was some sign here that institutional investors, who had been holding off before the budget, had come back into the market; on Thursday, when some of the shorts fell back, the mediums edged further forward.

In the industrial market the advances in prices on Wednesday, which led to a gain of 2 points in *The Financial Times* ordinary share index to 124.6, probably flattered the actual number of buying orders. Almost without exception equity prices were marked up at the start, but the demand for them proved determinedly selective. The biggest rises were shown by shares that will benefit from the abolition of the Excess Profits Levy, notably in the electrical equipment

GILT EDGED NET PRICES

	June 24, 1952	March 6, 1953	April 8, 1953	April 14, 1953	April 15, 1953	April 16, 1953
2½% Nat. War Bds., 52/54	98 1/32	99 1/32	99 3/32	99 3/32	99 1/32	99 3/32
1½% Ser. Fund., Nov., '53.	98 3/32	99 1/32	99 1/32	99 1/32	99 1/32	99 1/32
1½% Ser. Fund., Nov., '54.	96 1/32	98 1/32	98 1/32	98 1/32	98 1/32	98 1/32
3% Ser. Fund., Nov., '55..	...	100 1/32	100 1/32	100 1/32	100 1/32	100 1/32
2½% Nat. War Bds., 54/56	95 3/32	98 3/32	99 1/32	99 1/32	99 1/32	98 3/32
2½% Esch., Feb., '55	96 1/32	98 1/32	98 1/32	99 1/32	99 1/32	99 1/32
3% Sav. Bds., 55/65	86	93 1/32	93 1/32	93 1/32	94 1/32	94 1/32
2½% Funding, 56/61	88 1/32	95 1/32	95 1/32	95 1/32	95 1/32	95 1/32
3% Funding, 66/68	82 1/32	89 1/32	90 1/32	90 1/32	91	91 1/32
4% Funding, 60/90	94	98 1/32	98 1/32	99 1/32	99 1/32	99 1/32
3% Sav. Bds., 65/75	77 1/32	84 1/32	85 1/32	85 1/32	85 3/32	85 3/32
3% Elect., 74/77.....	77 3/32	84 1/32	84 1/32	84 3/32	85 1/32	85 3/32
3% Trans., 78/88	97 1/32	79 1/32	79 3/32	80	80 1/32	80 3/32
3½% Steel, 79/81.....	82 3/32	89 1/32	89 3/32	90	90 3/32	90 3/32
3% Gas, 90/95.....	72	78 1/32	79 1/32	79 3/32	80 1/32	80 1/32
3½% War Loan, after '52..	72 3/32	78 3/32	79 1/32	79 1/32	79 3/32	79 3/32
2½% Consols.....	55 1/32	60 1/32	59 3/32	59 3/32	60 1/32	60 1/32
2½% Treasury	53 1/32	58 3/32	59	59 1/32	59 1/32	59 1/32

and brick-making industries. Not far behind came the advances in shares of companies making household goods and of department stores; the argument here was that a budget that gave £169 million of tax relief (£45 million of it on purchase tax) should lead to some increase in retail sales this year. The restoration of initial allowances also played a part in stimulating interest in equities in companies in the engineering industry and in those that face heavy capital development programmes; thus Associated Electrical (which will also benefit from the demise of EPL) rose by 3s. to 80s. 6d. and Leyland Motors (which will also benefit from the fall in purchase tax) rose by 3s. 9d. to

EQUITY SHARE PRICES

	June 24, 1952	March 6, 1953	April 8, 1953	April 14, 1953	April 15, 1953	April 16, 1953
Anglo-Iranian £1	5½*	5⅝	5⅝	5⅝	5⅝	5⅝
Assoc. Elect. £1	69/6	79/6*	77/6	77/6	80/6	79/9
Assoc. Port. Cem. £1	90/7½	106/6	107/–	110/3	111/–	111/–
Brit. Motor 5/–	26/4½	6/6	6/2½	6/9	6/10½	6/9
Courtaulds £1	31/3*	42/6	39/6	40/3	40/7½	39/9
Distillers 4/–	16/9	17/3	16/4½	16/10½	17/–	17/–
Dunlop £1	43/9	50/10½	48/3	49/3	49/6	48/3
Guest, Keen £1	48/6	54/–	52/9	52/6	53/–	52/10½
Hawker, Sid. £1	31/9*	41/3	37/–	38/7½	38/10½	38/10½
Hoover 5/–	22/6	22/9*	21/6	21/9	23/6	23/6
Imp. Chem. £1	42/–	48/10½	45/–	45/9	45/9	44/10½
Imp. Tob. £1	82/6	53/10½	54/1½	54/–	54/–	53/10½
Lanc. Cotton £1	34/4½	45/–	42/3	43/3	43/9	43/–
Leyland £1	80/–	94/4½*	86/10½	88/1½	91/10½	91/6
Marks & Sp. 'A' 5/–	68/–	54/–	53/–	53/6	54/6	54/6
Pye 5/–	15/6	17/6	18/6	19/–	19/7½	19/9
Tate & Lyle 15/–	47/–	62/–	61/9	62/–	63/3	63/3
Tur. Newall £1	79/4½	106/–	51/6	52/9	53/9	53/6
Unilever £1	41/10½	47/6	46/9	48/–	48/9	48/1½
Vickers £1	40/6	48/–	45/6	48/10½	49/6	49/–
Woolworth 5/–	39/–*	51/10½	51/9	53/–	54/–	53/6
Financial Times Ord. Share Index	**103·1**	**125·0**	**120·6**	**122·6**	**124·6**	**123·4**

* Ex dividend.

91s. 10½d. But here, too, the first exertions seemed to drain away the market's strength, and on Thursday it was precisely these early favourites that led *The Financial Times* index back by 1.2 points to 123.4.

Although the market outlook after this budget can hardly fail to be better than it was before it, two considerations seem to be holding back investors' hands. First, the mere fact that Mr Butler has given so much away implies that his advisers do not believe that inflation lies ahead; and, secondly, if they are wrong, monetary policy remains as the Chancellor's long stop. Meanwhile, there are already rumours of a new Government loan, as well as of the impending and inevitable issue by the British Electricity Authority.

Wheat Agreement Breakdown

Two months of strenuous, if not always well-directed endeavour to prolong the international wheat agreement have come to remarkably little. The exporters, led by the United States, have managed to patch up an agreement, signed by 17 nations so far, on the basis of a maximum price of $2.05 a bushel during the next three years; but an agreement that leaves out Britain, the largest international buyer, which with its colonies had a buying quota amounting to 30 per cent of the total trade covered by the agreement, may not mean much. India, with a quota accounting for another 10 per cent, also seems unlikely to sign the pact. The deadlock is a matter of five cents on the maximum price. The tone of the Minister of Food's explanation on Wednesday does not suggest that the United Kingdom is disposed to make any concession whatever above $2. For this evidence of determination there should be full support in this country. To be responsible for a major breach in international arrangements of this importance is not a light matter; but the arguments for taking a stand at this time are strong.

Last July, the estimated stocks of wheat held by the three major countries in the international wheat agreement, USA, Canada and Australia, plus stocks in Argentina (which is not in the agreement) amounted to approximately 16 million tons; importers have been able to buy first quality wheat under the agreement, which was working smoothly, at the maximum price of $1.86. World production of wheat this year has improved, and the stocks in these four countries by the end of next June may well reach 34 million tons,

WORLD WHEAT SUPPLIES AND BRITISH CONSUMPTION

	Year 1952-53	Year 1953-54
	Million tons	
Four main producers:—		
USA, Canada, Australia, Argentina:		
Stock at July 1	16	34
Exportable production	66	46
Stock at end year, June 30	34	30
United Kingdom consumption:—		
Imported	4	5
Home grown	1·5	1
IWA quota for Britain and Colonial Territories	4·8	—

more than double those of twelve months ago. This surely suggests the likelihood of a fall, and not a rise, in the price of wheat. Estimates for production of these four countries, put at 66 million tons for the current year, 1952-53, may come down next year to 46 million tons. But even so, the stocks at the end of June, 1954, are still expected to be 30 million tons, not very much less than the large stocks expected this June. In view of these expectations, Britain's willingness to agree to $2.00 was reasonable and perhaps even a little generous—but not to be disregarded as a gesture of willingness to continue the agreement system. It is not easy to imagine as liberal an approach from the United States to any international agreement over commodities of which it is the dominant importer.

Apart from the statistical position there was another reason for trying to break from the "maximum price psychology" that dominated the former agreement. Most of the wheat coming on the international market is sold by four monopolists: the Australian wheat board, the Canadian wheat board, the authority of the Argentine government, and the United States, where private sellers enjoy a "floor price" set by the government's price stabilisation mechanism. These arrangements can ensure that first quality wheat coming on to the world market shall be sold only at prices above the IWA maximum—or not sold at all. This twofold support for prices has proved too much of a good thing.

Closing the Gap in Sugar

The purchase of one million tons of sugar from Cuba by the Ministry of Food, at what the Chancellor of the Exchequer described as "an advantageous price," will enable domestic sugar rationing and industrial sugar allocation to be brought to an end later this year—probably by July. Past estimates by the Minister of Food suggested that an end to sugar rationing would require an additional 750,000 tons in the first year and 500,000 in the following year, over and above the present annual consumption of about two million tons. Under the Commonwealth Sugar Agreement Britain takes all the sugar offered by Commonwealth countries; therefore the extra imports necessary for derationing must cost dollars. Under the new contract, Cuba is expected to supply about 600,000 tons this year and 400,000 tons next year—roughly enough to fill the gap that has caused the prolonged rationing.

The price to be paid to Cuba will vary over the period, but the total cost in dollars will equal about £23 million. Evenly spread over 12 to 18 months, this is an appreciable dollar drain; but it is well worth while to remove the expense and irksomeness of sugar rationing and the straitjacket of restrictions it has placed on the confectionery and other food industries. Moreover some saving of foreign exchange is expected from cuts in the import of expensive substitutes for sugar. The average price for the Cuban sugar works out at about 3 cents a lb. This is a fraction below the recent open market price; but Cuba has large stocks of sugar made unsaleable by the world shortage of dollars. The price is about 45 per cent cheaper than the price that Britain pays Commonwea'th producers under the long-term contract—some £42 a ton. However, Commonwealth producers need have no immediate anxiety, because they are secured by the agreement with Britain until 1960; the deal with Cuba is a commercial operation without any commitments about future purchases.

Imports Rise

Both imports and exports for March were higher than for February; but while imports rose by £42.7 million to £285.7 million, exports and re-exports increased by only £19.5 million, to £223.6 million. Total exports were a fraction above the monthly average for the last three months of 1952, and on a daily rate basis there was a very slight increase in exports in March, compared with the two previous months. But the daily rate of imports was up by 8 per cent, and the monthly average of imports for the first quarter of this year has therefore risen to £272.8 million, £9.5 million more than the monthly average in the first half of 1952.

There was some improvement in exports to Canada. After the low seasonal levels of £11.9 million in January and £9.8 million in February, shipments to Canada rose to £12.3 million in March. On the other hand, exports to the United States in March, at £12.4 million, were slightly less than the average in January and February.

Widening IMF's Facilities

A significant comment on the future policy of the International Monetary Fund was made by its chairman and managing director, Mr Ivar Rooth, when he recently presented the annual report of the Fund to the Economic and Social Council of the United Nations. Any authoritative indication of the Fund's attitude is, of course, of particular interest now, in view of the discussion that is being focused upon the role that might be played by the IMF in any new international plans for expanding trade and payments. Mr Rooth announced that the directors and officials of the Fund had been engaged for some time in working out procedures designed to facilitate a more extensive use of the Fund's resources as a means of providing secondary reserves for member countries. Some of the ways in which this object is to be secured have already been announced. The Fund has revised its scale of charges so as to make the use of its resources for short periods less expensive. The initiative taken last June to make "standby arrangements" for the sale of currencies to Belgium has now been generalised. Any member country that expects to run into temporary balance of payments difficulties may now establish, for a period of six months, an account on which it can draw in case of need. It can hardly be claimed, however, that these developments throw the door wide open to increased co-operation between the IMF and the European Payments Union. Mr Rooth suggested that, though many proposals had been made for revising the Fund's Articles of Agreement, there was little that the Fund could usefully and sensibly do that it was at present prevented from doing by its existing statutes. If that is the belief of the new regime at the Fund, it does not promise well for an early expansion of its activities.

The main barriers to its more effective intervention in world monetary affairs have been the essentially political character of its administration and its dominant concern with the danger of world inflation. There is still no sign that the power and influence of the essentially political executive directors is being in any way diminished. But Mr Rooth has issued an invitation to all member countries of the Fund to join in the task of improving its techniques and attitudes. He suggests that these members "will find it in their own interest to co-operate with us in extending the range within which the Fund can strengthen their reserve position." This is an invitation that should not be allowed to remain unanswered.

Dorman, Long Development

One of the first companies on the list for resale to private investors may well be Dorman Long. The operation will pose some technical questions, not least in connection with the financing of the £36 million development scheme on which the company is about to embark as the third phase of its postwar expansion. The scheme, to be spread over five years, will provide the technical complement and fulfilment of the work that has already been

done. Ore unloading and preparation provided the first phase ; the new steelworks now approaching completion at Lachenby represents the second—it is, incidentally, to be extended by a fifth steel furnace to bring its annual capacity up to 625,000 ingot tons. Stage III will include two new blast furnaces of 27 ft. 6 in. hearth with a total capacity of 750,000 tons and costing £6-£7 million ; new coke batteries at Cleveland handling 1,300,000 tons of coal a year and costing £7-£8 million ; a new medium section mill and a new rod and bar mill, with capacities of 175,000 tons each, which will enhance Dorman Long's interests in lighter finished products.

But the *chef d'œuvre* will be the projected universal beam mill and heavy section mill—a development long awaited in this country and one that will incorporate a feature giving new versatility to this type of plant, since it will incorporate the means for rolling standard structural sections. The structural steel products from this new mill will provide a saving in fabrication and material costs that should make for important economies in construction work. The total effect of these various schemes can perhaps best be measured by the expansion of half a million tons in the company's rolled products from 1,347,000 tons last year to 1,879,000 tons when Stage III is completed.

The finance of the scheme raises many interesting questions. No doubt it will be the directors' firm intention to provide as much of the £36 million out of revenue as can be found without opening before prospective shareholders the prospect of jam deferred for five years. No doubt also they will argue—with some justification—that a company with a scheme of this order of magnitude on the stocks should not be resold to private investors with the initial burden of a heavy capitalisation. The company was taken over for a net sum of about £12 million, and it has spent £14 million out of internal resources on the first two stages of development. But even if as much as one half of the prospective expenditure on the third stage is found from revenue, there will still remain a serious capital commitment to be financed externally. In these circumstances, the preoccupation of the directors over the resale price for the company is understandable.

Commodities Still Weak

WEAKNESS in the commodity market, recently accentuated by hopes of peace in Korea, continues—with the same few exceptions. Whatever winds may blow, the raw wool market keeps firm in response to continuing steady demand ; and likewise demand continues to maintain the price of cocoa and tea. Indeed, it is expected that although the higher-priced teas may weaken a little more, popular types such as common broken pekoe, recently quoted at 3s. 5d. lb, may get dearer. Shellac and certain spices are firmer. Metal prices, however, despite short-lived recoveries, have continued to slip ; before the end of the week a further fall of about £3 brought lead down to £80 10s. a ton, and zinc was down to £71 5s. a ton, both prices being the lowest reached since free dealing in the metals was resumed. At the current low prices there was some buying in the tin market, causing some erratic movements ; but even after a slight improvement the cash metal

was only £717 a ton compared with about £900 a fortnight ago. Rubber recovered a little on Mr Eisenhower's statement that the American synthetic rubber plants will be sold to private enterprise.

HOW COMMODITIES HAVE MOVED

Commodity	Unit	Pre-Korea (1950 mid-June)	Subsequent peak in first half 1951	1953 March 31	1953 April 7	1953 April 15
Copper, N.Y., spot...	cents per lb	22·5	36·15*	34·91	34·91	34·075
Lead, London	£ per ton	96	180	87½	86½	80½
Zinc, London.....	"	127½	190	72½	74½	71½
Tin, London, spot ...	"	602½	1,550	930	832½	717½
Wool, 64's	d. per lb	140	318	n.s.	n.s.	n.s.
Cotton, N.Y., spot...	cents per lb	34·47	46·08	33·85	33·80	33·85
Jute, Dundee.....	£ per ton	116½	229	76	76	76
Cocoa, Accra	cents per lb	29·75	38·57	32·75	32·50	33·28
Wheat, Chicago, f't'rs.	"	210⅞	267½†	224⅜	223⅞	220⅛
Copra, Philippines ...	$ per ton	185	325	260	255	225
Shellac, Lond. futures	£ per ton	335½	416½	163½	161½	163½
Rubber, Lond., spot..	d. per lb	23½	72	20⅛	19 11/16	20⅛

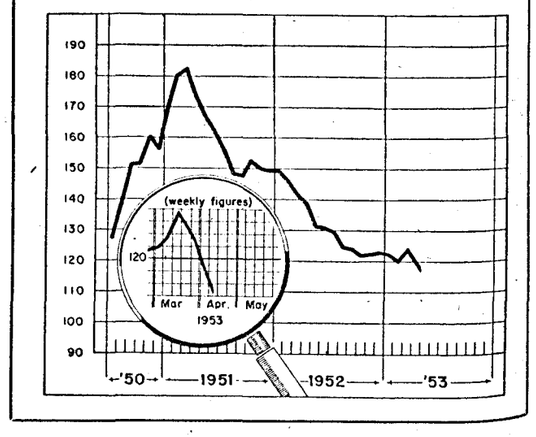
* Mid-June, 1952. † November, 1951.

The Economist's Commodity Price Indicator was down to 117 on April 14, 2 points lower than a week earlier. The index for food showed a small increase on the week ; that for fibres was unchanged ; and the fall in prices was reflected in the indices for metals and other raw materials.

Prospects for Electrical Exports

TOASTERS, as well as turbo-generators, come under the heading of electrical equipment ; indeed, some of the largest companies in the industry manufacture both. Its market prospects, both at home and overseas, are always, therefore, something of a patchwork. Last year, according

COMMODITY PRICE INDICATOR
STERLING BASIS: July 1949—June 1950 = 100
MID-MONTH FIGURES



PROBLEM CORNER

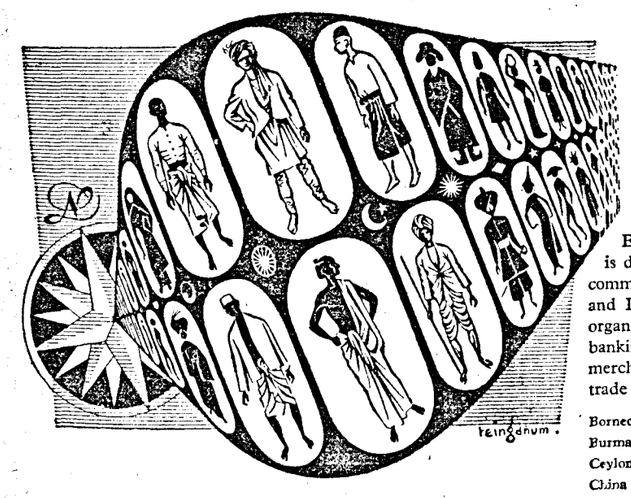


Education, we are told, is not so much a matter of knowing the facts as knowing where to find them. In matters of finance, you will find 'the facts' at the Westminster Bank. Special departments exist to advise on overseas trade, to help with customers' Income Tax problems, to obtain foreign currency and passports, to act as Executor or Trustee, to . . . But why go on? We have said enough to show that, when problems like these arise, the simplest thing to do is to leave them in the efficient hands of the Westminster Bank.

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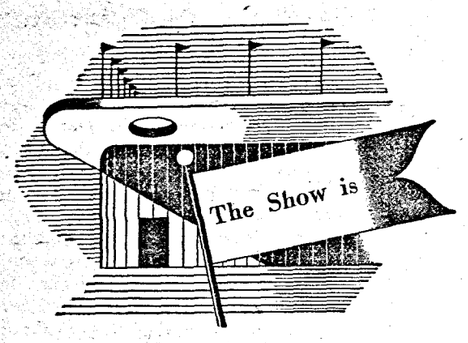


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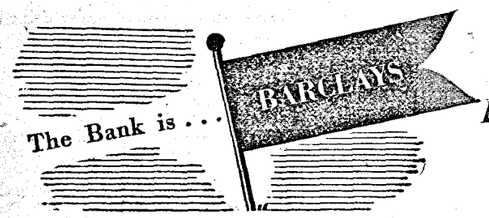
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Burma		Malayan Federation	Siam
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to the annual report of the British Electrical and Allied Manufacturers' Association, the total value of the industry's exports rose by 15 per cent, to £218 million, making it the second most important exporting industry in the country (after motor vehicles). But within this continued expansion the overseas sales of different types of equipment showed sharp contrasts.

Exports of the heavier types of capital equipment rose slightly, being limited mainly by supplies of materials or by the capacity manufacturers could put to work; this is still a seller's market, where price matters less than delivery dates in obtaining orders. Exports of electrical machinery as a whole rose by about £10½ million, and exports of cables and wires by £8½ million. At the other end of the scale, exports of domestic equipment fell sharply throughout the year, and home sales were hampered by high purchase tax and hire purchase restrictions; so production was cut by up to 50 per cent in some factories making durable consumer goods such as vacuum cleaners, refrigerators and washing machines. If overseas import

COMPETITION IN ELECTRICAL EXPORTS, 1949-52
(£ million)

	1949	1950	1951	1952
Japan	2·6	2·8	5·3	8·6
Germany	7·1	26·2	56·3	85·0
Britain	140·0	158·0	189·0	218·0

restrictions remain in force, these exports cannot be expected to recover much this year, while the heavy end of the industry is still short of labour. Transfer of resources between sections of the industry may not be practicable on a large scale; but without it, further expansion in electrical exports as a whole may be difficult.

Competition from Germany and Japan, as expected, is increasing; in the Far East Japan has now found itself able to obtain business by short delivery dates alone, and has raised its prices towards British levels for electrical equipment. Germany's credit arrangements and export incentive schemes are ambitious, if not yet quite as extensive as some British manufacturers had feared. But it is worth noting that the largest exporter of electrical equipment, and Britain's most important competitor, is the United States. And the United States is more lavishly equipped as regards credit facilities than any other competitor, with credits from the Export-Import Bank and the International Bank. Power development schemes financed by the International Bank since its inception have usually meant contracts for America; partly because American consulting engineers, who have usually been on the technical missions sent to investigate the projects, have none of the professional reluctance to recommend their country's manufacturers that inhibits British consultants. There now seems some likelihood, says BEAMA, that the British consultants may become slightly more commercial—and that the International Bank, in recruiting its technical teams, may include some British engineers.

Shortfall in Small Savings

ALTHOUGH total private saving increased in 1952, the national savings movement has fallen on lean days. Its tally of small savings remaining invested declined during the financial year by as much as £163 million (if allowance is made for the repayment of £45 million of defence bonds) and by £73 million even if account is taken of accrued interest remaining invested. This is the greatest rate of net withdrawals ever recorded in a single year. It is true that gross receipts of small savings showed an increase of some £34 million for the year, but this was more than offset by an increase of some £65 million in repayments (excluding defence bonds redeemed at maturity). Some £15 million of the increase in gross receipts and some £12 million of the increase in gross repayments occurred in

SMALL SAVINGS
(£ million)

	1951–52			1952–53		
	Gross receipts	Repayments	Net change	Gross receipts	Repayments	Net change
Savings Certificates	156	136	+ 20	159	139	+ 20
Defence Bonds	57	71*	− 15	72	83*	− 11
Post Office Savings Bank	342	440	− 98	345	461	− 115
Trustee Savings Banks	376	371	+ 5	389	401	− 12
TOTAL	932	1,019	− 87	966	1,084	− 118

* Excluding defence bonds repaid on maturity (£43 million in 1951–52, and £48 million in 1952–53).

defence bonds; this was the natural consequence of the new issue of these bonds, carrying interest at 3½ instead of 3 per cent, which appeared in September, 1952. No less than £51 million of the increase in gross repayments, however, fell on balances in the Post Office Savings Bank and the Trustee Savings Banks—no doubt partly in reaction to the Inland Revenue's tax probe. National savings certificates may have received part of the backwash from these withdrawals; gross receipts and gross withdrawals both rose by £3 million. But the impression remains that this devoted and hard-working movement urgently needs a helpful shot in the arm from government economic policy; and the minor exemption from stamp duty on certain documents used by the savings groups—which Mr Butler announced in his Budget speech—hardly seems likely to effect it.

A Surplus for Australia?

AUSTRALIA is now entering upon an election campaign for the Senate, and therefore into a period of cheerful economic utterances from the Government leaders. Mr Menzies told a Brisbane audience this week that the Australian budget in September will bring "important and valuable tax reductions," which will not be effected in a "conservative or over-cautious spirit." More important,

the Treasurer, Sir Arthur Fadden, has estimated that Australia may succeed in adding "well over" £A100 million to its international reserves in the year to June, 1953. As the Australian economy will have benefited from considerable overseas borrowing during the year (as in every year since 1945), this does not necessarily indicate a current account surplus of this magnitude; but it certainly constitutes a notable contrast with its huge current account deficit of £A576 million in 1951-52.

The year's recovery is due almost entirely to an improvement in Australia's visible balance, from a deficit of some £A380 million in 1951-52 to an expected surplus of about £A300 million in 1952-53. For the first nine months of 1952-53 the visible surplus has been £A249 million. Sir Arthur pointed with some satisfaction to the increase in exports, from £A675 million in 1951-52 to some £A800 million in the present year—though this has, in fact, played a relatively minor part in effecting the improvement; by far the biggest factor, of course, has been the import cuts, which are likely to reduce Australia's imports to about £A500 million in the current year, or less than half the inflated figure for 1951-52. Nevertheless, the expansion in primary production to which Sir Arthur referred—especially in butter, grains and sugar—does indeed constitute a notable and encouraging improvement upon the figures for the drought-affected year 1951-52. The greater is the importance, therefore, that internal inflation should not be allowed to sweep the sources of this recovery away. It perhaps needs to be re-emphasised that critics of Australian economic policy in this country have never cavilled at Australians "earning a high standard of living"; what they have cavilled at is the bland assumption that if inflation there runs away—as it did last year—then it must continue to be supported by subventions from the rest of the sterling area. In 1951-52 these subventions (as measured by the financing of Australia's net current account deficit) reached the staggering figure of nearly £A70 per head of the dominion's population; those who pay the piper to this extent can surely be allowed to sing a slightly plaintive tune.

Drachma Devalued

THE Greek authorities last week-end announced a 50 per cent devaluation of the drachma. This move raises the rate of the U.S. dollar in Greece from 15,000 to 30,000 drachmae. The official rate for sterling has been raised correspondingly, from 42,000 to 84,000 drachmae. A development of this character has long been regarded as inevitable. The level of prices and the cost of living in Greece had lost all touch with the previous official rates for the currency. In the unofficial foreign exchange market, transactions in sterling had recently taken place on the basis of 100,000 drachmae. The fact that the new official rate has not wholly caught up with the black market rate does not, however, necessarily indicate that the devaluation has been inadequate. Black market rates, reflecting as they do, illegal flights of capital, invariably tend to undervalue the currency concerned. Superficial indications suggest that the new parity is near the equilibrium rate indicated by the domestic purchasing power of the drachma.

If the Greek authorities can now achieve equilibrium in their budget and arrest the steady inflation of means of payments that has been proceeding throughout the postwar period, there is no reason why the new parity should not become the basis of a long period of stability. The balance of payments, however, is still in considerable deficit. In 1952 visible exports, valued at $120 million, were not much more than one-third of the value of imports. Earnings of Greek shipping should go a long way to make up this difference, but it can be assumed that the bulk of these earnings, instead of being handed over to the Greek authorities, are salted away abroad. The Greek Government has taken special measures to build up domestic confidence in the new rate of exchange. In particular, it has arranged substantial imports of sugar, frozen meat, cereals and canned milk, so that for a time at least there should be plentiful supplies of food in the shops to exchange against the currency at the prices that are rapidly being established following the devaluation. Heroic measures will, however, need to be taken to safeguard the balance of payments, given the fact that help from the United States is likely to diminish in the months to come. The devaluation of the drachma was referred to and approved by the International Monetary Fund, which has welcomed it as a contribution to the stability of the Greek economy.

EMI Records in America

THE news that Electric and Musical Industries Limited is forming a new company to distribute its records in America gives the first clear indication of the group's response to the big changes caused in the arrangements of its recording companies by developments in the record industry during the past year. Until the beginning of this year, the British Columbia company (a subsidiary of EMI) and the American Columbia company distributed each others' recordings in the territories in which each held the rights of the Columbia trade-mark. But from January this arrangement was terminated, and EMI's right to distribute the American Columbia catalogue outside America was transferred to the Dutch Philips group. As a corollary, the American Columbia company is no longer pressing and distributing in America recordings made under the British Columbia name by EMI in this country. EMI records carrying the "His Master's Voice" trade-mark are handled in America by the American Columbia company's rival, RCA-Victor, which presses discs from matrices and tape recordings made here by EMI. The British Columbia recordings, however, instead of being brought into this arrangement, will be handled in America exclusively by the new American company to be set up and owned by EMI. A new trade-mark will, however, have to be found for them, since the American Columbia company owns the rights to the Columbia name in America.

The formation of this new company, in preference the negotiation of an exchange of catalogues with another American producer, may foreshadow a more aggressive selling policy by EMI. Since the group began its tardy introduction of micro-groove records last October, it has recorded about 160 titles on the long-playing 33 rpm records and more than 200 on the 45 rpm discs (these latter

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1952.

After providing £818,300 for United Kingdom taxation the profit for the year is £1,058,145, plus £313,541 brought forward, making a total of £1,371,686. The Directors have placed £400,000 to the credit of Exploration Reserve Account, and have declared a final dividend of 10*d.* United Kingdom currency per 2*s.* 6*d.* share free of United Kingdom Income Tax, absorbing £387,500, and making, with the interim dividend of 6*d.* per 2*s.* 6*d.* share, a total distribution of 1*s.* 4*d.* per 2*s.* 6*d.* share free of United Kingdom Income Tax or £620,000 for the year, leaving £351,686 to be carried forward.

In July, 1952, each of the Corporation's Ordinary Shares of 12*s.* 6*d.* was sub-divided into five Ordinary Shares of 2*s.* 6*d.* each.

Holdings of shares, debentures and other securities have been taken into the Accounts at cost or under but in no case above the market value of December 31 last, or, where no market price exists, above the Directors' valuation. At present market prices these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to write down the book cost of certain holdings below both cost and market price.

A copy of the Corporation's Annual Trade Cycles Chart, revised to date, is enclosed with the Report.

GOLD MINING INTERESTS

Summary of the operating results for the past year of the Companies operating in the Witwatersrand in which the Corporation is largely concerned:—

	East Geduld Mines, Ltd.	Geduld Proprietary Mines, Ltd.	The Grootvlei Proprietary Mines, Ltd.	Marievale Consolidated Mines, Ltd.	St. Helena Gold Mines, Ltd.	Van Dyk Consolidated Mines, Ltd.
Tons milled ...	1,725,000	1,253,000	2,316,000	723,000	598,000	1,246,000
Yield per ton, dwt.	6.00	2.90	4.33	5.01	3.96	2.95
Working Costs, per ton	27s. 2d.	29s. 9d.	26s. 2d.	38s. 0d.	46s. 6d.	34s. 8d.
Working Profit, per ton	49s. 7d.	7s. 6d.	29s. 2d.	26s. 2d.	4s. 2d.	3s. 0d.
Total Working Profit	£4,274,000	£469,000	£3,376,000	£948,000	£123,000	£189,000
Net Profit ...	£2,029,000	£1,055,000	£1,621,000	£507,000	£130,000	£186,000
Dividends: Total	£1,837,000	£913,000	£1,430,000	£375,000	—	—
Per Stock Unit or Share	4s. 1d.	12s. 6d.	2s. 6d.	1s. 8d.	—	—

The net profit figures include revenue from other sources. Thus East Geduld Mines' dividend income in 1952 on its shareholding in The Grootvlei Proprietary Mines was £67,200 and Geduld Proprietary Mines' dividend income in 1952 on its shareholdings in East Geduld Mines and The Grootvlei Proprietary Mines was £720,270.

Tonnage milled and working profits of St. Helena Gold Mines, Limited, increased gradually but steadily during the year. The amount of payable footage disclosed by the accelerated development programme was more than three times that in the previous year, although the values were somewhat lower. Expenditure of capital funds in 1952 amounted to £673,900, of which £267,613 was for development footage in excess of that covered by working costs.

THE WITHOK PROPRIETARY COMPANY.—No prospecting operations have been carried out by this Company since the completion of the borehole referred to in last year's Report.

Interests in Gold Mining Companies not under the administration of the Corporation:

STILFONTEIN GOLD MINING COMPANY.—Since this Company commenced milling in July, 1952, production and profits have steadily improved. The capacity of the reduction plant is to be increased by the end of 1953 to 80,000 tons per month. To provide funds for this and for the necessary extension of mining operations, the Company, in November last, made an offer of shares to its shareholders in which the Corporation participated.

WESTERN HOLDINGS.—Development work to date has shown a high percentage of payability with good values on the Basal Reef. In preparation for production test runs of the reduction plant have been carried out successfully. The capacity of the plant is being expanded from 50,000 to 75,000 tons per month.

OTHER MINING INTERESTS

SAN FRANCISCO MINES OF MEXICO.—This Company earned a Working Profit of £3,474,000 in the year ended 30th September, 1951, and paid a dividend of 6*s.* 0*d.* per 10*s.* 0*d.* Stock unit in respect of that year compared with 3*s.* 0*d.* per unit for the preceding year (after allowing for the bonus issue of 1 for 1 in May, 1951). In the year to 30th September, 1952, 657,000 tons of lead-zinc-silver ore were milled compared with 597,400 tons in the previous year. Operations during the first three months of the year were curtailed by power cuts and a fire in the South Shaft affected production in January, 1952, but during the remainder of the year the mill worked to its expanded capacity of approximately 60,000 metric tons per month.

CHROME MINES OF SOUTH AFRICA.—Owing to the limited number of trucks made available by the South African Railways, production had to be restricted at both the Zwartkop and Groothoek Mines and large stockpiles have accumulated at the Mines against orders in hand.

Interest in other Mining Companies not under the administration of the Corporation:

TSUMEB CORPORATION.—The net profit of this Company for the year ended 30th June, 1952, was £4,645,443, compared with £2,966,843 for the previous year and dividends totalling 14*s.* 6*d.* per share were declared. During the first nine months of the Company's financial year dividends totalling 10*s.* 0*d.* per share have been declared.

OTHER INTERESTS

BAY HALL TRUST.—The net profit for 1952 was £96,845 and a dividend of 7 per cent. free of tax was declared. The Trust's investments as at December 31st last showed an appreciation of £422,412 over book cost of £2,189,144.

BRITISH ENKA.—Production in 1951 was further increased. Net profits for the year rose to £419,415, to which was added £84,688 in respect of taxation and deferred repairs over-provided in previous years and no longer required, making a total of £504,103. Dividend of 10 per cent. was again paid, absorbing £98,437. £350,000 was transferred to General Reserve and Carry Forward was increased by £55,666. During 1952 the Company was forced to reduce production owing to a severe recession in trade.

SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—During the year production and sales were again increased notwithstanding a substantial fall in the price of imported papers in the latter half of the year. The net profit for 1952, after making provision for taxation and depreciation, amounted to £424,149. Dividends totalling 2*s.* 0*d.* per share have been declared.

The second and larger of the two additional paper machines at the Enstra Mill is expected to start commercial production shortly. Satisfactory progress is being made in the erection and construction of the new Mill in Natal. To provide funds to complete the programme the Company has recently made arrangements to obtain a further long term loan of £750,000 from The South African Mutual Life Assurance Society.

EXPLORATION

During the year Capital Mining Areas, Limited, increased the area it holds under option in the Bethal and adjoining Districts of the Transvaal. For the sake of convenience, the bulk of the options, covering an extensive area, about which very little is known at present, were apportioned amongst five new small exploratory Companies, which are subsidiaries of the Corporation, leaving Capital Mining Areas to confine its energies to drilling a limited area within which it has obtained some encouraging gold values in the Kimberley Reef. A good deal of drilling remains to be done before any conclusions can be drawn as to the economic possibilities of this limited area.

Central Mineral Exploration carried out further exploration work during the year on its concessions in the Mlala area of Tanganyika.

Copies of the full Report and Accounts can be obtained on application at the London Office, Princes House, 95, Gresham Street, E.C.2.

PEARL

ASSURANCE COMPANY LIMITED

Chairman: **G. R. L. TILLEY, M.A., F.C.I.S.**

Points from the Annual Report and Balance Sheet for the year ending 31st December, 1952.

POLICYHOLDERS' FUNDS £195,959,425 **GROSS INCOME £39,835,966**

INVESTMENTS

The Assets show an increase of £6,966,734. The valuation of the investments taking Stock Exchange securities at middle market prices showed a comfortable margin compared with the values shown in the Balance Sheet after taking into account the Investments Reserve Funds.

LIFE BRANCHES

In the two Life Branches the total sums assured on new policies issued amounted to £47,010,518 compared with £42,453,837 for 1951 and the total sums assured and bonuses in force (including the Capital Redemption Fund) amounted to nearly £469 million (an increase for the year of over £19 million).

FIRE AND ACCIDENT

In this Branch the premium income was £6,684,696.

REVERSIONARY BONUSES

ORDINARY BRANCH—A reversionary bonus of **£1 15s. 0d.** per **£100** sum assured on United Kingdom policies entitled to participate in full profits.

INDUSTRIAL BRANCH—A sum of **£1,607,135** has been allocated to provide bonuses and other benefits to policyholders in the Industrial Branch making a total allocation up to date of **£20,897,068.**

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7-inch play no longer than the standard 10 to 12 inch 78 rpm discs but, like the 33 rpm, are less fragile and are relatively free from surface hiss). In this second type of micro-groove record EMI is aiming directly at the juke box market. The Decca Record Company—whose export sales reached £1 million last year, a high proportion of which was earned in the United States—has already discovered that its sales of records are far higher when distributed by its own agency in the United States than when they were handled by the American Decca company as a second string to the sale of American recordings. British Decca's recordings are now sold in America by London Records, Inc., and in setting up Electric and Musical Industries (US) Limited, EMI is presumably following Decca's example in the expectation of repeating Decca's success.

D-Marks Rather than Dollars

ALTHOUGH the British Government is now looking with more favour on direct investment in Canada by British business organisations, it is still barring the way for personal investment there. Zealously guarding the gate, the Treasury has refused to provide dollars for subscriptions by British shareholders in Aluminum Ltd. to the recently announced "rights" issue by that company—even though the issue, of 818,657 shares at a price that will not exceed Canadian $37.50 a share, seems as attractive as any issue in the (possibly over-expanding) aluminium industry could reasonably be. But although the Treasury has locked the front gate, the Capital Issues Committee has shown these shareholders the gap in the hedge. In giving its consent to the flotation of the issue in London, the committee points out it will be possible for British shareholders "to take up their rights by selling certain foreign currency securities or blocked foreign currency funds, as in the case of the 1951 rights issue." In other words, shareholders can exercise their rights in a roundabout way by purchasing D-marks, which stand at a small premium to the dollars that can finally be purchased against them. Investors have long been aware of this circuitous route into Canadian investment, but it seems a little strange that a British government agency has so neatly signposted the way.

Gas in the Potteries

THE changeover from batch to continuous firing of pottery that has been taking place during the past 20 years constitutes a minor technical revolution in the industry, and one involving a radical switch from one type of fuel to another. Before the war, the potteries used about a million tons of coal a year. This has fallen to 400,000 tons. Meanwhile the consumption of gas has risen from 7.4 million cubic feet in 1932 to 4,760.6 million last year. Consumption of electricity has also risen, but gas is the industry's major fuel.

The reason for the change in fuels arises out of the difference in the two firing processes. The old beehive kiln was bricked up when the ware had been stacked in it and was coal-fired from outside. The fumes that would have contaminated the ware were for the most part drawn off by the roof of the kiln. This process of firing lasted for five days, allowing for the heating and the cooling of the kiln; drying processes carried out at lower temperatures by some sections of the industry took as long as 14 days. The change from batch firing by these methods to the use of continuously fired tunnel ovens through which the ware passes in 34 hours has speeded up production, but has also created technical problems for which it has taken some years to find a satisfactory solution. Since the ware is packed almost to the roof of the continuous tunnel, the fuel has to be exceptionally clean. Electricity, which is probably the best fuel in this respect, is generally too expensive; even with gas, extra oxygen has to be pumped into the tunnel to make certain that all carbon particles are completely burned.

The installation of continuous tunnels has brought with it a big increase in capacity. Some potteries have re-equipped on the basis of one tunnel for as many as eight beehive kilns put out of commission, and the wiser among them have installed several small tunnels rather than one large one. But over the industry as a whole, this increased capacity is not at present fully employed. When the Coronation souvenirs have all been made sections of the industry expect trade to slacken.

SHORTER NOTES

Supported by a record output of pig iron, steel production in March was at the rate of 351,300 ingot tons a week, the highest ever recorded in this month (though slightly lower than in February). In the first quarter of 1953, 4,552,000 tons of steel were produced, compared with 4,261,000 tons in the last quarter of 1952, and with 3,998,000 tons in the first quarter of last year.

★

Timber importers have welcomed the reduction of 5s. a standard in the contribution they make to the demurrage fund for timber cargoes arriving in this country from the Baltic. The rate has been cut to 2s. a standard, from the previous 7s. The average freight rate is at present about £8 5s. a standard for Baltic cargoes. The fund came into existence to operate as an insurance when congestion at ports brought about a risk of delays that might cost an importer up to £500 per shipload in demurrage. Improved shipping conditions at ports of late have reduced the time and risks of delays.

★

Through the British Institute of Management, the Harvard School of Business Administration is again offering management training for two junior executives from British industry, commencing this autumn. The course will last two years; the Harvard authorities will grant each student $1,200 a year to cover board and tuition providing that this sum is matched by the British employer.

Company Notes

BRITISH ALUMINIUM. The full accounts of British Aluminium for the year to December 31st tell an uninspiring story in a singularly uninspired way. Without any help from the directors, shareholders are left to draw their own conclusions from the very slight fall in trading profits (from £3,399,892 to £3,336,152) and a much bigger fall in net profits (which are shown after making appropriations to plant replacements reserves) from £861,834 to £678,984. In themselves these figures are sufficient to explain why the ordinary dividend has been left unchanged at 12 per cent, but shareholders in such an important concern as British Aluminium should certainly be given more background information about them. For example, the directors might reasonably have considered it their duty to explain in their report why the book value of stocks rose from £5,983,172 to £7,402,344 last year.

In the absence of any explanation, there are grounds for fearing that this increase may have reflected a piling up of stocks of unsold products in the company's factories and warehouses. The world supply of aluminium has recently been expanding rapidly, while British demand for it, particularly from the companies concerned with rearmament orders, may have slowed down. While the financial resources of British Aluminium are strong enough to tide the company over any period of slack in the industry that may now be emerging, shareholders should not cherish any high hopes of an early increase in dividend payments. At the current price of 41s. 6d. xd, the £1 ordinary shares yield 5.8 per cent.

★

BRITISH-AMERICAN TOBACCO. It is no mean feat of accounting skill to present the accounts of a world-wide net of trading subsidiaries in one consolidated report. The accountants of British-American Tobacco, who have to do this year in and year out, deserve praise for their compilation, but its readers, the shareholders, need to exercise care in examining it. They must, for example, always remember that exchange controls restrict the available profits that can be transferred from the accounts of subsidiary companies to the holding company. Apart

Consolidated earnings	Years to Sept. 30, 1951	1952
	£	£
Trading profit	46,682,938	46,265,944
Total income	48,090,553	47,990,858
Leaf devaluation surplus*	1,702,865	1,047,243
Depreciation	2,207,108	2,219,076
Taxation	21,219,088	20,829,500
Net profit	*19,986,965*	*18,696,523*
Ordinary dividends	3,563,664	3,860,636
Ordinary dividends (per cent)	15†	16⅔†
Replacement reserves	7,750,000	5,300,000
Capital reserves	1,995,496	3,149,520
Revenue reserves	5,533,260	4 475,876
Added to group carry forward	833,858	1,513,366
Cons. balance sheet analysis		
Fixed assets, *less* depreciation	29,538,346	35,316,372
Net current assets	143,371,132	158,471,136
Stocks	142,658,244	159,063,180
Cash	24,892,035	28,021,111
Reserves	108,959,681	127,263,569
Ordinary capital	23,757,761	23,757,761

£1 ordinary stock at 110s. yields £5 7s. per cent.

*Transferred to replacement reserves. † Tax free.

from the use and complication of profit retentions by subsidiaries, the main interest in BAT's full report will be concentrated on the general stability of its profits and in the directors' decision to raise the tax-free ordinary dividend from 15 to 16¼ per cent. This decision was discussed in these columns on March 28th, and the full report now gives investors the chance to examine the changes in assets and liabilities that lay behind it, and also behind the recent decision to capitalise £11.9 million from reserves.

The report confirms that the decision to capitalise part of the reserves reflects a permanent growth in the group's strength. Last year's profit retentions helped to finance an increase of nearly £5.8 million in the net book value of fixed assets, and of about £16.4 million (to £159 million) in the book value of stocks; this increase in stocks is partly due to a rise in prices, particularly of leaf tobacco, but it also reflects an increase in physical volume. The directors describe the present level of stocks as being "more satisfactory in relation to the current trading position." Another happier portent for the future is the reduction in the appropriations to replacement reserves; as the directors point out, this is a sign that world-wide inflationary fires are being damped down.

★

SWAN HUNTER. The tone of Mr J. W. Elliott's address to shareholders of Swan Hunter is not a happy one for investors in the shipbuilding industry. Mr Elliott suggests that, as the adoption of welded in place of riveted structures becomes more general, Swan Hunter and other shipbuilding companies will be faced with heavy capital commitments; and although he declares that Swan Hunter is determined to go ahead with its reconstruction schemes, in order to keep up with its competitors, he does not believe that this will necessarily lead to higher profits. It can be inferred from his statement that Swan Hunter, for one, is more likely to finance this technological revolution by ploughing back profits rather than by raising new money on the capital market; the implication is therefore that shareholders can expect little in the way of bigger dividends in the next few years.

There are other reasons why the special jubilee dividend of 10 per cent for 1952, which has been added to the maintained ordinary dividend of 18 per cent, must be regarded as a non-recurring bonus. For one thing, the company needs to retain substantial profits in order to finance contracts on which long-term credits have been granted, and Mr Elliott suggests that the granting of these credits may well become of even greater importance in the future. Secondly, Mr Elliott reports that the flow of new orders slowed down last year; although the company's productive capacity should remain fully employed in the next three years or so while it cuts back the existing backlog of orders, the high costs of current construction and the recent reduction in shipping earnings make the longer term prospect look less bright than it was. Moreover even in the short run Swan Hunter faces some difficult problems. It does not yet seem able to secure all the steel that it needs. Last year the shortage of steel reduced the aggregate tonnage of ships launched from its shipyards and its trading profits fell from £3,001,942 to £2,709,966; Mr. Elliott suggests it will be some time before the adverse effects of the steel shortage will have worked themselves off in the shipbuilding industry. In these circumstances ordinary shareholders would be wise to base their yield calculations on an 18 per cent dividend; on this basis the £1 ordinary shares at the current price of 66s. 3d. xd yield 5.4 per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Apr. 8, 1953	Price, Apr. 15, 1953	Net Yield, Apr. 15, 1953	Gross Yield, Apr. 15, 1953
			£ s. d.	£ s. d.
War Bonds 2½% '52-54	99 11/32	99 3/32	1 9 11	2 15 8
Exchequer 2½% 1955	98 31/32	99 1/32	1 13 0	2 15 4
Exchequer 3% 1960	99 11/32	99 13/32	1 13 10	3 1 4
Ser. Funding 1½% '53	99	99	1 18 8	2 12 5
Ser. Funding 1½% '54	98 1/32	98 11/32	1 19 0	2 14 1
Ser. Funding 3% '55	100 1/32	100 1/32	1 9 9	2 15 11
War Bonds 2½% '54-56	99 3/32	99 11/32	1 10 0	2 13 10
Funding 2½% '52-57	99 1/32	99 3/32	1 10 1	2 16 11
Nat. Def. 3% '54-58	100 11/32	100 1/32	1 11 2	2 19 6
War Loan 3½% '55-59	100 1/32	100 1/32	1 12 7	2 19 7
Savings 3% '55-65	94 1/32	94 3/32	2 3 6	3 11 11
Funding 2½% '56-61	95 3/32 *	95 7/32	1 18 8	3 1 9
Funding 3% '59-69	89*	89 1/32	2 9 0	3 17 9
Funding 3% '66-68	91 1/32	91 3/32	2 6 8	3 15 7
Funding 4% '60-90	98 11/32 *	99 3/32 *	2 6 3	4 2 2
			2 4 7	4 0 8
Savings 3% '60-70	88	88 1/32	2 9 8	3 19 0
Savings 2½% '64-67	86¼*	87 3/32 *	2 9 4	3 13 7
Victory 4% '20-76	101 3/32	101 5/32	2 1 1	3 17 2
Savings 3% '65-75	85 3/32	86 1/32	2 9 6	3 19 6
Consols 4% (aft. 1957)	88 3/32	89 3/32	2 9 6	4 10 5
Convs. 3½% (aft. 1961)	79 5/32	80 3/32	2 8 0	4 7 4
Treas. 2½% (aft 1975)	58 3/32	59 3/32	2 6 2	4 4 0
Treas. 3% (aft 1966)	69 3/32	69 5/32	2 7 6	4 6 5
Treas. 3½% '77-80	90 3/32	91 1/32	2 8 0	4 2 2
Redemption 3% '86-96	79 5/32	80 3/32	2 7 5	3 18 10
War Loan 3½% aft. 1952	80 3/32	81 1/32	2 7 10	4 7 8
Consols 2½%	59 3/32	60 1/32	2 5 9	4 3 2
Br. Elec. 3% '68-73	86	86 3/32	2 10 3	3 19 9
Br. Elec. 3% '74-77	84 11/32	85 1/32	2 9 3	3 19 3
Br. Elec. 4½% '74-79	100 1/32	100 3/32	2 6 0	4 4 3
			2 6 2	4 4 4
Br. Elec. 3½% '76-79	90 3/32	91*	2 7 6	4 0 9
Br. Trans. 3% '78-88	80 3/32	81 1/32	2 9 4	4 0 11
Br. Trans 3% '68-73	85 1/32	86 1/32	2 10 5	3 19 11
Br. Trans. 4% '72-77	97 11/32	98 3/32	2 7 0	4 4 5
			2 6 6	4 3 10
Br. Gas 3% '90-95	79 1/32 *	80*	2 8 2	3 19 7
Br. Gas 3½% '69-71	93 3/32	93 1/32	2 7 4	4 0 5
Br. I. & S. 3½% '79-81	90 3/32	91	2 7 9	4 1 7

(e) To earliest date. *(f)* Flat yield. *(i)* To latest date. *(s)* Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (a) (b) (c)	Ordinary Stocks	Price Apr. 8, 1953	Price, Apr. 15, 1953	Yield, Apr. 15, 1953
% %				£ s. d.
20 a 0 b	Anglo-Am. 10/-	6¼*	6⅛*	4 17 11
25 b 0 a	Anglo-Iran £1	5⅜	5⅜	5 4 4
7½a 24b	Assoc. Elec. £1	79/-	80/-	5 0 0
20 b 7½a	Assoc. P. Cem. £1	106/3	111/3	4 18 11
10 a 33 b	Bass £1	121/3	122/6	7 0 6
50 c 10 a	Boots 5/-	19/6	19/6	5 2 7
5 a 7 b	Brad. Dyers £1	26/-	28/6	7 0 4
4½a 6⅛b	Br. Celanese 10/-	23/3	24/9	4 8 11
.. 17½	Br. Motor Cp. 5/-	6/3	7/-	7 8 7
0 a 0 b	Br. Oxygen £1	51/6*	53/6*	5 12 2
5 a 5 b	Can. Pac. $25	$51¼	$51	5 6 2
7½b 0 a	Coats £1	45/-	46/6	5 7 6
6⅛b 0 a	Courtaulds £1	39/9	40/9	5 10 5
16 c 4½a	Cunard £1	41/-	42/-	7 12 5
15 b 7½a	Distillers 4/-	16/6	17/-	5 5 11
17½c 17½c	Dunlop £1	48/9	48/9	7 3 7
15 c 15 c	Ford £1	56/10½	58/1½	5 3 3
15 b 5¾a	Gen. Elect. £1	43/6	42/6	5 5 11
10 b 5 a	Guest Keen £1	52/9	52/6	5 14 3
7 a 10 b	Guinness 10/-	29/6	30/-	5 13 4
4½a 5½b	Hawker Sid. £1	37/3	39/6	5 1 3
13 c 5 a	Imp. Chem. £1	45/9	46/1½	5 12 9
13½a 11⅝b	Imp. Tobacco £1	54/9	54/-	7 8 2
$2·6 c $2·6 c	Int. Nick. n.p.	$73¾	$73½	6 6 4
17½c 17½c	Tburg Con. £1	66/3	65/-	5 7 8
0 a 10 b	Lanes. Cotton £1	42/3	43/9	6 17 2
7½a 10 b	Lon. Brick £1	63/1½	63/9	5 9 10
6⅝ b 15 a	Marks & Sp. A 5/-	53/-	54/6	3 13 5
6⅞a 1⅛b	Monsanto 5/-	20/6*	20/6*	4 9 5
6 a 14 b	P. & O. Def. £1	61/-	61/6	6 10 1
17½b 1½a	P. Johnson 10/-	32/-	33/6	7 9 3
†100 †105 c	Prudentl. 'A' £1	37	37½	5 1 10
175 b 50 a	Rhokana £1	16⅛*	16⅜*	13 10 8
10 b 5 a	Rolls Royce £1	61/3	62/6	4 16 0
†10 b †5 a	"Shell" Stk. £1	80/7½	83/9	5 4 1
13½a 8⅛b	Tube Invest. £1	60/-	60/6	4 19 2
5 a 20 b	Tur. Newall £1	51/3	53/9	4 13 0
8⅛b 5 a	Unilever £1	46/3	48/3	5 11 2
10 c 12½c	Union Castle £1	26/6	26/6	4 14 4
5 a 5 b	Union Disc. £1	41/-	43/-	4 13 0
†6⅛b †4½a	Utd. Molass. 10/-	29/3	30/3	6 5 1
30 b 7½a	U. Sua Betong £1	35/-	36/10½	20 6 9
10 b 2½a	Vickers £1	45/6	49/3	5 1 6
15 a 40 b	Woolworth 5/-	51/9	54/-	5 1 10

(a) Int. *(b)* Fin *(c)* Div. whole yr. *(f)* Yield basis 21·8 gross. *(g)* Div declared for 4 months. Yield basis 10½%. *(h)* Yield basis 15%. *(k)* Yield basis 6½%. *(m)* Yield basis 12½%. *(n)* Yield basis 40% *(o)* Yield basis 20%. *(p)* Yield basis 11½%. * Ex div. † Free of tax

Statistical Summary

EXCHEQUER RETURNS

For the eleven days ended April 11, 1953, total ordinary revenue was £132,006,000, against ordinary expenditure of £126,566,000 and issues to sinking funds £287,000. Thus, including sinking fund allocations of £287,000 the surplus accrued since April 1, 1953, was £5,152,000 compared with a deficit of £24,935,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54	Financial year		12 days ended Apr. 12, 1952	11 days ended Apr. 11, 1953
	£'000	1951-52	1952-53		
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1782,250	1668,749	1736,233	61,956	65,050
Sur-tax	127,000	129.600	131,200	6,200	4,200
Death Duties	160,000	183,000	151,850	5,100	7,600
Stamps	52,000	61,900	50,250	1,900	1,700
Profits Tax & EPT	214,000	315,400	376,100	16,600	9,000
Excess Profits Levy	99,500	...	2,950	...	600
Special Contribution and other Inland Revenue	1,000	3,270	2,020	50	60
Total Inland Rev.	2435,750	2361,919	2450,603	91,806	88,210
Customs	1044,300	998,497	1024,498	34,153	27,932
Excise	680,480	753,285	739,093	5,985	5,130
Total Customs and Excise	1724,780	1751,782	1763,591	40,138	33,062
Motor Duties	69,000	65,211	67,658	2,812	3,281
Surplus from Tradg. PO (Net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	14,150	14,800	...	...
Sundry Loans	25,000	25,393	24,681	55	54
Miscell. (incl. Surplus War Stores)	95,000	139,482	117,382	6,002	7,398
Total Ord. Revenue	4368,215	4433,392	4438,715	140813	132006
SELF-BALANCING					
Post Office	224,615	190,050	209,900	5,100	4,500
Income Tax on EPT Refunds	3,300	5,525	5,192	517	229
Total	4596,130	4628,967	4653,807	146430	136735
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	513,599	576,411	30,621	28,492
Payments to N. Ireland	48,000	39,435	44,662	1,360	1,469
Other Cons. Funds	10,000	11,678	10,483	11	5
Total	673,000	564,712	631,555	31,992	29,966
Supply Services	3586,286	3461,547	3683,809	133200	96,600
Total Ord. Expend.	4259,286	4026,259	4315,364	165192	126566
Sinking Funds	...	27,400	35,227	556	287
Total (excl. Self-Balancing Expd.)	4259,286	4053,659	4350,591	165748	126853
SELF-BALANCING					
Post Office	224,615	190,050	209,900	5,100	4,500
Income Tax on EPT Refunds	3,300	5,525	5,192	517	229
Total	4487,201	4249,234	4565,683	171365	131582

After decreasing Exchequer balances by £657,557 to £2,933,997, the other operations for the eleven days increased the National Debt by £9,950,889 from £26,050 million at March 31st to £26,060 million.

NET RECEIPTS (£ THOUSAND)

Land Settlement (Facilities) Acts, 1919 and 1921	12
Cotton (Centralised Buying) Act, 1947, s. 21(3)	3,750
	3,762

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1952	1,600
EPT Refunds	280
Tithe Act, 1936, s. 26(1)	1,130
Housing (Scotland) Act, 1950, s. 94(2)	945
Local Authorities Loans Act, 1945, s. 3(1)	12,100
New Towns Acts, 1946 and 1952	1,271
Cinematograph Film Production (Special Loans) Acts, 1949 and 1950	5
Development of Inventions Act, 1948, s. 11(1)	50
Overseas Resources Development Act, 1948, s. 17(1), Colonial Development	500
Miscellaneous Financial Provisions Act, 1946. s. 2(1), War Damage: Board of Trade	1,000
Town and Country Planning Acts, 1947	100
Finance Acts, 1946 and 1947: Postwar Credits	542
	19,523

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	59,456	2½% Def. Bonds	1,675
Nat. Savings Certs.	2,500	3% Def. Bonds	4,175
3½% Def. Bonds	2,685	2½% Nat. War Bonds 1951-53	150
Tax Reserve Certs.	6,923	Other debt External	11
Other debt Internal	8,047	Ways and Means Advances	63,650
	79,611		69,661

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
Apl. 12	2,440·0	1,600·9	305·3	1·0	..	4,347·2
1953						
Jan. 10	4,636·1*		249·1	...	...	4,885·3
,, 17	3,010·0	1,569·6	251·7	...	...	4,831·3
,, 24	2,980·0	1,515·9	268·2	...	...	4,764·1
,, 31	2,940·0	1,494·2	250·6	...	...	4,684·8
Feb. 7	2,910·0	1,414·1	245·0	...	...	4,569·1
,, 14	2,890·0	1,416·1	235·1	...	...	4,541·2
,, 21	2,870·0	1,441·5	270·8	1·8	...	4,584·1
,, 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
,, 14	2,820·0	1,540·5	275·1	...	...	4,635·6
,, 21	2,810·0	1,569·5	332·2	...	...	4,711·7
,, 31	4,406·6		303·5	3·8	...	4,713·9
Apl 11	2,880·0	1,585·3	243·7	...	...	4,709·0

* In consequence of official purchases of tender bills in connection with cash subscriptions to the new issues of Serial Funding Stock, it is impossible to calculate the division between *tap* and *tender bills until all* the bills purchased have passed their original maturity date.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1952					
Apr. 10	210·0	297·2	210·0	47 0·14	62
1953					
Jan. 9	180·0	264·2	180·0	47 7·91	57
,, 16	200·0	293·6	190·0	47 11·44	48
,, 23	190·0	285·3	190·0	47 11·47	49
,, 30	190·0	306·3	190·0	47 11·05	37
Feb. 6	220·0	315·8	220·0	48 3·19	51
,, 13	220·0	297·2	220·0	48 7·78	62
,, 20	230·0	321·7	230·0	48 7·90	55
,, 27	230·0	314·4	230·0	48 0·25	66
Mar. 6	240·0	326·9	240·0	48 0·25	65
,, 13	250·0	256·4	250·0	47 11·74	57
,, 20	260·0	351·0	260·0	47 11·78	63
,, 27	250·0	334·6	250·0	48 0·20	67
Apr. 2	230·0	322·8	230·0	48 3·93	60
,, 10	250·0	357·6	250·0	48 4·20	62

On April 10th applications for 91 day bills to be paid from April 13 to April 18, 1953, were accepted dated Monday to Saturday as to about 62 per cent at £99 7s. 11d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million were offered on April 17th. For the week ended April 18th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	52 weeks ended Mar. 28, 1953	Week ended Mar. 28, 1953	Week ended April 4, 1953
SAVINGS CERTIFICATES:			
Receipts	159,400	5,000	3,500
Repayments	138,600	3,300	3,000
Net Savings	20,800	1,700	500
DEFENCE BONDS:			
Receipts	71,684	1,770	1,300
Repayments	82,964	2,255	1,150
Net Savings	*Dr 11,280*	*Dr 485*	150
P.O. AND TRUSTEE SAVINGS BANKS:			
Receipts	54,913	13,672	16,302
Repayments	862,145	17,924	17,578
Net Savings	*Dr127,232*	*Dr 4,252*	*Dr 1,276*
Total Net Savings	*Dr117,712*	*Dr 3,037*	*Dr 626*
Interest on certs. repaid	38,522	941	870
Interest accrued	129,033	2,462	2,462
Change in total invested	*– 27,201*	*– 1,516*	+ 966

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

APRIL 15, 1953

	£		£
NOTES ISSUED:		Govt. Debt	11,015,100
In Circulation	1516,901,734	Other Govt. Securities	1535,757,647
In Banking Department	33,455,089	Other Securities	714,829
		Coin (other than gold)	2,512,425
		Amount of Fid. Issue	1550,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1550,356,823		1550,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	357,699,439
Rest	3,192,520	Other Securities	26,053,610
Public Depts.	88,664,839	*Discounts and Advances*	*13,470,445*
*Public Accts.**	*19,219,258*	*Securities*	*12,583,165*
H.M. Treas.			
Special Acct.	*39,452,581*		
Other Depts.	342,798,657		
Bankers	*268,990,273*	Notes	33,455,089
Other Accts.	*73,808,384*	Coin	1,800,878
	419,209,016		419,209,016

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	April 16	April 1	April 8	April 15
ISSUE DEPT.:				
Notes in circulation	1,418·8	1,509·0	1,517·3	1,516·9
Notes in banking department	31·5	41·4	33·0	33·5
Government debt and securities*	1,446·7	1,546·7	1,546·8	1,546·8
Other securities	0·7	0·8	0·7	0·7
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT.:				
Deposits:				
Public Accounts	10·4	15·9	11·3	19·2
Treas. Special Acct.	0·5	30·4	39·5	39·5
Bankers	284·3	269·3	280·3	269·0
Others	77·3	74·7	74·1	73·8
Total	372·5	390·3	405·2	401·5
Securities:				
Government	312·2	342·4	359·0	357·9
Discounts, etc.	25·6	9·7	18·4	13·5
Other	19·4	13·6	10·8	12·6
Total	357·2	365·7	388·2	384·0
Banking dept. reserve	33·0	43·2	34·8	35·3
	%	%	%	%
"Proportion"	8·8	11·0	8·6	8·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,500 million to £1,550 million on March 25, 1953.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1953	SILVER: London per ounce	New York per ounce	Bombay per 100 tolas	GOLD: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
April 9	74·0	85·25	155 12	86 0
,, 10	74·0	85·25	154 12	86 4
,, 11	Markets closed		154 6	86 13
,, 13	74·0	85·25	155 0	86 9
,, 14	74·0	85·25	158 0	87 11
,, 15	74·0	85·25	158 10	87 12

COMPANY MEETINGS

EQUITY & LAW LIFE ASSURANCE SOCIETY

A SUCCESSFUL TRIENNIUM

POSITION OF OUTSTANDING STRENGTH

SIR RICHARD HOPKINS'S SPEECH

The Annual General Meeting of Equity & Law Life Assurance Society was held on April 15th at the Chartered Auctioneers' and Estate Agents' Institute, 29, Lincoln's Inn Fields, London.

The Rt. Hon. Sir Richard Hopkins, PC, GCB, the Chairman, who presided, said: Ladies and Gentlemen, I rise to move—"That the report and accounts for the year ended December 31, 1952, be received and adopted and entered on the minutes." These have been in your hands for several days and I assume may be taken as read. (Agreed.)

LOSSES BY DEATH

During the past year death has robbed us of two friends. In September last occurred the death of Dr A. E. Gow, our Principal Medical Officer. A Society such as ours owes much to the guidance which it receives from its chief medical adviser. We recall with sincere gratitude all the wise help that we received from Dr Gow during his eleven years of office. More than that, our principal medical officer has many personal dealings with the staff, and Dr Gow was regarded with great affection by all in the Society's service who came in contact with him.

The death occurred in October last of Mr A. C. Thorne, who served the Society for nearly fifty years and who, during his career, served not only as chief official but also as a director. We mourn the loss of one who was well known to many of those who are and who have been connected with the Society.

We are delighted that Dr R. Bodley Scott, who for some years past was Dr Gow's deputy, has accepted the appointment of Principal Medical Officer. We count ourselves fortunate in having so eminent a physician as our principal medical adviser.

THE DIRECTORATE

The report in your hands alludes to the resignation of Mr Lewis G. Whyte from the board and from his post as investment adviser. Mr Whyte has for some time past wished to take up other work, and, though naturally we are sorry, he leaves us with our warmest good wishes for his future. The prosperity of the Society, on which I shall be commenting in a few minutes, owes much to the skill and prescience which Mr Whyte has brought to the conduct of our investment policy.

We have invited Mr I. J. Pitman, MP, to join us as a director, and I am happy to say that he has indicated his willingness to accept; we propose to elect him formally at our next Board Meeting.

Before dealing specifically with the accounts I should refer to the Centenary of our wholly owned subsidiary, The Law Reversionary Interest Society, Limited; this Society reached its hundredth anniversary on March 18, 1953, and continues to be a most useful channel of investment and a valuable connection with the legal profession.

HIGH RATE OF BONUS

As for the accounts, the results for the triennium were outstandingly successful, and the position of the Society at the end of the triennium was one of outstanding strength.

The bonus declared—44s. and upwards—should give great satisfaction to our With-Profit policyholders and to all who have supported the Society. I mention particularly that before arriving at the surplus we transferred £300,000 to contingencies reserve—making this reserve £400,000; this reserve is in addition to the strong reserves brought out by the actuarial valuation basis which we employ. We need make no excuse, however, for building up additional strength in days such as the present.

Last year I was able to tell you that the margin by which the market values of our assets exceeded the values at which they appeared in the balance sheet actually increased during 1951. It will not surprise you that this margin decreased during 1952, but it still exceeds comfortably the substantial margin which existed at the beginning of the triennium. I would also draw your attention to the trend in the gross rate of interest earned on the Society's funds; for the current year 5¼ per cent appears to be a reasonable expectation.

STRENGTH THE CARDINAL AIM

We have made the best estimate that we can of the current surplus earning capacity of the Society; it appears to us to be very satisfactory. We are declaring as interim bonus the same high rate of 44s. and upwards which we have allocated to policyholders for the past triennium. I would add one comment; in these days when life assurance funds are expanding rapidly it is vital that as they expand so should they maintain their strength; this is a cardinal aim of our policy.

On this occasion, reverting to our prewar custom, we are recommending the dividend in the form of a net payment. The income of the proprietors' fund is received mainly in the form of a net transfer from the life assurance fund, and only to a lesser extent in the form of gross interest. It appears to us that as the major contributing element to the proprietors' fund is in a net form, the dividend itself should be declared in this form.

SUBSTANTIALLY LARGER DIVIDEND

The dividend now recommended represents a substantial increase on the rate which we have recently been paying. The accumulated balance standing to the credit of the proprietors' fund at the end of the year was, as the accounts show, in excess of £117,000; this sum has been built up over a number of years and—bearing in mind the important fact that full reserves are made before any sum is transferred from the life fund—we now consider this balance to be ample.

We are thus recommending a dividend which, if continued for the second and third years of the current triennium, will result in the full distribution of the £105,773 transferred to the proprietors' fund at the beginning of the current year and also the interest expected to be earned on that fund in the current triennium. I do not propose to look further into the future regarding our rate of dividend, but your Directors felt that the foregoing words of explanation were necessary lest in ignorance anyone should deduce that comparable increases in dividend should be expected in future.

One final comment before I leave the report and accounts; during 1952 we placed Equity & Law Investment Trust, Limited, in voluntary liquidation; the Trust was formed in May, 1934, and we felt that, having served its purpose, it should be liquidated. Two results followed from this action—first, Bank Insurance Trust Corporation, Limited, now appears in the Society's own balance sheet; secondly, there was in the Trust a large revenue reserve which, passing through the Society's own accounts as revenue, created an interest "windfall"; we have shown in the report before you the gross rate of interest, ignoring this "windfall."

GROWTH OF FUNDS

During the triennium our funds increased by about £5 million; this increase is a measure of the personal savings which were absorbed by the Society. I have spoken before of the vital need of savings at this stage in our national affairs. It is essential that they be forthcoming. I borrow the concluding sentence of a recent leading article in *The Economist*:

> "And there is neither magic nor manipulation that will create capital out of nothing. Saving is thrift; it is consuming less; and it has to be done by people."

Therefore I address myself primarily to those agents who may be present and emphasise to them that in securing new business for the Society they are most directly helping our national well-being.

You will have seen that, in his Budget speech yesterday, the Chancellor stated that the reliefs which he proposed were designed—among other things—to encourage private saving.

We feel that the results now disclosed place our branch organisation and our agents in an excellent position to secure an ever increasing amount of With-Profit Life Assurance. For some years now these policies have offered outstanding value in life assurance and they continue to do so. We welcome here to-day members of our branch organisation, agents and With-Profit policyholders, and we hope that the results now disclosed will be a real source of satisfaction to them and help in securing further policies.

TRIBUTE TO MANAGEMENT AND STAFF

I have spoken already of the great services rendered by Mr Lewis Whyte as investment adviser—our thanks to him have been expressed on more than one occasion and I repeat them now. I think you all appreciate also the great and continuing debt which the Society owes to its General Manager and Actuary, Mr Kirton. If, in addition, an expression of thanks is offered to our staff generally from this chair every year, it is no less sincere on that account. We, your board, would say to you as shareholders that we are served by a most loyal and efficient staff. We thank them sincerely; results such as we have set before you today can only be achieved by good work at all levels.

The report and accounts were unanimously adopted.

CO-OPERATIVE INSURANCE SOCIETY, LIMITED

109 Corporation Street, Manchester 4

ORDINARY SECTION BONUS INCREASED

MR ANEURIN DAVIES REPORTS ON THE YEAR'S PROGRESS

Mr Aneurin Davies, chairman, at the eighty-fifth annual general meeting held on April 15, 1953, said:

This year it gives me the greatest pleasure to announce that largely as a result of our improved interest earnings, your directors have been able to increase the rate of reversionary bonus in the ordinary section by 4s. per cent from 28s. per cent to 32s. per cent.

INVESTMENT POLICY

As I have stated on previous occasions, our policy is to invest our funds to the best advantage of the policyholders who have entrusted us with their savings.

Our aim is to spread our investments over the widest possible range in order to secure the advantages of favourable and minimise the disadvantages of unfavourable influences.

HOUSE PURCHASE

The total amount outstanding under our house purchase mortgages at the year end totalled over £25 million, secured on nearly 40,000 properties; the average mortgage outstanding was £634, as against £616 at the end of 1951. Despite a fall in the value of house property during the period, the losses incurred under the scheme last year were negligible. However, with the increase in the number of houses which can be built for sale and the steady increase in the number of new houses available for letting, your directors decided early in 1952 to adopt a more cautious attitude, particularly as regards older types of houses which were in demand when the housing position was more acute but which are now losing their attraction to prospective houseowners.

Our scheme still offers attractive terms to purchasers of suitable properties and as there are considerable advantages to the right type of borrower in borrowing under the endowment mortgage scheme, we anticipate making rather more advances in 1953 than in 1952.

EXPENSES REDUCED

The constant attention of your board is devoted to the question of administrative costs. The rapid expansion of our business during the past few years has meant that many of our offices have become too small, with the result that new premises have had to be secured at a substantial increase in costs. Improved salary scales have also been granted, and replacements of office equipment have increased in price. It is very pleasing, therefore, to report that by keeping a close watch on the administration of the society we have been able to exercise an effective control on costs with the result that once again our overall expense and commission ratio has been reduced and the figure for 1952 (24.46 per cent) is the lowest we have ever recorded. Naturally, the expense of administration varies from one department of our business to another.

In the industrial life section the expense ratio for 1952 (including pension costs) was 28.50 per cent, as against 28.49 per cent for 1951, but here we may congratulate ourselves that we have limited the increase to so small a figure.

ENCOURAGEMENT OF THRIFT

Before passing to a review of the departmental accounts I would like to emphasise that your society performs an extremely useful and important function. It not only provides the means by which persons can protect themselves against the financial effects of most of the various misfortunes which may befall, but it is also one of the most effective organisations for the promotion of thrift in the country. Our ordinary and industrial life funds are, in effect, the savings of our life policyholders, and when I draw your attention to the fact that, contrary to the experience of other savings movements, there has been a regular increase in our policyholders' accumulated funds and that during 1952 the net increase was £9,250,000, you will appreciate the trust which our policyholders repose in us and the reliance which the public place upon life assurance as a form of saving.

There can be no doubt that it is absolutely essential for the well-being of this country that a substantial proportion of our national income should be saved. Owing to changed circumstances the bulk of the saving must now come largely from persons of moderate means, and that is why the CIS, through its close daily contact with the general public, is giving such valuable service not only to its policyholders but to the financial stability of the nation.

LIFE DEPARTMENT

Although as a result of a policy decision the completed sums assured in the ordinary section fell from £23,970,000 to £16,615,000, the new sums assured in the Industrial section increased from £39,443,000 to £41,447,000, so that the total new life business in 1952 was £58,062,000, as against £63,413,000 in 1951.

The ordinary section expense ratio has fallen from 13.68 per cent to 12.94 per cent whilst, as mentioned earlier, the industrial section ratio is practically unaltered.

MOTOR DEPARTMENT

INCREASED BUSINESS—SATISFACTORY SURPLUS

I am pleased to report that the premium income in this department has been increased by £187,679, and has now reached a total of £2,915,162.

Economy of management, prudent underwriting and the revision of premiums for commercial vehicles and motor cycles which applied in June, 1951, have combined to produce a surplus of £162,130, which, having regard to the difficulties which continue to beset the conduct of motor insurance, is a highly satisfactory result.

Very few offices with a large premium income have shown such consistently good results as the CIS over the past few years. You will realise that this is the more remarkable when I remind you that a large block of our private car policyholders continue to enjoy the benefit of premiums very considerably below current rates.

FIRE DEPARTMENT

RECORD SURPLUS

The 1952 results for the fire department were exceptionally favourable, and the gross surplus of £313,933 is the largest ever earned in this department.

The premium income, at £1,409,895, showed an increase of £73,700.

The number of claims paid during the year rose to 63,415, as against 62,550 in 1951, thus clearly demonstrating the need for fire insurance protection. A great many people refuse to take fire insurance cover because they cannot be persuaded that they are likely to suffer loss by fire. The fact that we paid so many claims last year—mostly to small householders—should convince them that fire insurance cover is a necessity.

ACCIDENT DEPARTMENT

The premium income in the personal accident account was £115,704, and the account showed a surplus of £36,154. In reviewing the accounts for 1951 I commented on the improvement in our claims experience in that year in the personal accident account, and it is, therefore, pleasant to report that the improvement has continued during 1952.

The general insurance account received a premium income of £1,198,373, which is £86,876 more than the corresponding figure for 1951. After making the usual allocations to reserves, there was a balance of £62,785, of which £36,000 has been transferred to profit and loss account, the remaining £26,785 being added to the additional reserve.

PROFIT AND LOSS ACCOUNT

After making adequate reserves for contingencies and taxation, the total amount to be distributed to policyholders in respect of our operations for the year 1952 is £2,850,000, of which nearly £2¼ million is due to our ordinary life and industrial life policyholders.

During the year we made 1,309,000 payments under all classes of policies.

This report sums up the results of the year's work of our staff of over 12,000 persons, of whom 7,350 are our full-time agents, all of whom collaborate to provide that personal service which our policyowners have grown to expect, and gives me the opportunity of expressing on behalf of the directors our appreciation of the loyal service which has been rendered by all grades of the staff during the past year.

The report and accounts were adopted.

BALLITO HOSIERY MILLS

POSITION OF GREAT FINANCIAL STRENGTH

SIR CYRIL ENTWISTLE'S SPEECH

The twenty-fourth annual general meeting of Ballito Hosiery Mills Limited was held on April 14th at St. Albans.

Sir Cyril F. Entwistle, QC, MC, LLB (the chairman), in the course of his speech, said:

As you are aware, the company has sustained a grievous loss in the death of Mr Charles Kotzin, its founder and managing director. I have been chairman of your company since its incorporation in 1929, and during the whole of this period my relations with Mr Kotzin have been of the most intimate and cordial character. He was a man of outstanding ability, with great foresight and breadth of outlook, and although a dominant personality, was much loved and admired by all who worked under him. He had been in very poor health for many years before his death, and consequently had had to delegate much of his executive functions to Mr J. R. Kellard and Mr F. V. Ault, who have now been appointed our joint managing directors. Mr J. R. Kellard joined the business in 1922 and has been on the board since 1933, Mr F. V. Ault came to Ballito in 1930 and has been a director since 1936. Mr Kellard is responsible for sales and distribution and Mr Ault for production. They work happily in harness, and without any hesitation I confidently assert that they are both admirably equipped in ability, experience and temperament to perform their responsible task.

RESULT OF YEAR'S OPERATIONS

The net profit for the year under review, before taxation, amounts to approximately £120,000, which I am sure in the circumstances you will regard as eminently satisfactory. It enables us, notwithstanding the increase in our ordinary share capital, to recommend to you the maintenance of the same rate of dividend (viz. 25 per cent, less income tax) as for the previous year and at the same time to transfer to general reserve the substantial sum of £25,000, making that reserve now £189,500. The profit shows a fall from the record figure of the previous year, but, as I indicated in my speech last year, there have been some reductions in gross profit margins, particularly in our exports.

Our continuously increasing productive capacity has enabled us to a substantial extent to offset this tendency, but we have been handicapped throughout the year by the limited supplies of nylon yarn available. Women undoubtedly prefer nylon to any other form of stocking, and the demand for our nylon stockings far exceeds our capacity to supply owing to the shortage of nylon yarn. This shortage we hope and understand will only prove a temporary state of affairs.

As you will see from the balance sheet, during the year we incurred a capital expenditure of £187,743 in addition to our fixed assets. Towards meeting the cost of this expenditure and our other capital commitments we issued a mortgage debenture for £100,000 and an additional 206,468 ordinary shares of 3s. each were issued for cash at a premium of 1s. 9d. per share.

The balance sheet of your company reveals a position of great financial strength. The current assets exceed the current liabilities by the sum of £232,689. The total of all our reserves amount to the figure of £381,496, which is equivalent to over 6s. per share of the issued ordinary share capital. Furthermore, according to valuations we have had made, the real value of our fixed assets exceeds their book value by a sum at least the equal of the last-mentioned figure.

PRODUCTION

A number of new fine-gauge American fully fashioned machines were installed last year, and still more are now in course of erection, but until the supply of nylon yarn increases maximum production cannot be achieved. Progress on our new factory extension at St. Albans has been delayed owing to the steel shortage, but the building will be completed in July this year, approximately twelve months behind schedule. We have now replaced about 75 per cent of our pre-war fully fashioned machinery and are hoping to replace the remaining 25 per cent within the next two years.

Wages are subject to a fluctuating bonus which is tied to a cost-of-living index figure, so increases or decreases are automatic. Increases this year amount to exactly 10 per cent, or approximately £30,000. Bearing in mind that net dividends amounted to only £30,900, it would appear that the employees have been extremely well looked after.

HOME TRADE

The increase in our exports has meant a slightly lower percentage of our production available for the home trade during the year. We are looking forward to a not too distant date when a sufficient supply of nylon yarn will enable us to change over entirely to nylon stocking production, and are indeed fortunate in that every machine we possess is ideally suited to the production of nylon stockings.

The de-control of the distribution of nylon yarn has been greatly publicised, and while it does not mean a plentiful supply of nylon yarn immediately, it is a distinct easing of the position, and we can look forward to greater supplies becoming available very much quicker than originally anticipated. In view of my remarks above on the subject of our machine capacity, we should be able to take immediate advantage of any increases in supplies.

EXPORTS

It is with pleasure that I am able to report our export trade improved considerably from the middle of the year, and our figures in 1952 were an improvement on 1951. This improved position of exports has been maintained during the first three months of 1953.

Our advertising is continuing on similar lines to previously, keeping our productions well before our customers, not only at home, but also abroad. The name Ballito is not only well to the fore throughout the markets where we trade, but is established and known as one of the best quality productions in this country.

With regard to the prospects for the current year, it is far too early for me to venture on any forecast. Trading conditions, particularly in the export markets, are far from easy, but our main trouble, as I have already stated, is the continued inability to obtain supplies of nylon yarn commensurate with our productive capacity. All I will say is that we are better equipped technically in every way than ever before, and no effort will be spared to produce a satisfactory result for the current year.

The report and dividend proposals were unanimously adopted.

NORTH BRITISH AND MERCANTILE INSURANCE

SUCCESSFUL YEAR'S OPERATIONS

The annual general meeting of the North British and Mercantile Insurance Company, Limited, will be held on May 7th in Edinburgh.

The following is an extract from the circulated statement of the chairman, the Rt Hon Lord Brand, CMG, DCL:

Fire Department: I am happy once again to present to you figures which reflect a successful year's operations, and these are the more satisfactory in that the progress achieved in the expansion of income owes little to inflationary tendencies.

Premiums at £16,046,997 show an increase of £467,756 compared with the 1951 figure of £15,579,241, whilst losses at £7,315,300 show an increase of £160,984 over the figure of £7,154,316 in the previous year. The profit is £1,312,496, 8.18 per cent, comparing with £1,308,530, 8.4 per cent, in the previous year.

Casualty Department: The premium income in 1952 again showed an appreciable advance on that for the previous year and the underwriting result has been satisfactory despite the continuance of certain unfavourable factors.

Our casualty business produced premiums in total amounting to £4,747,698, being £528,563 in excess of those for 1951 of £4,219,135. Losses were £2,391,869 against £2,159,376. After making the necessary provision for unexpired risks, the underwriting profit is £290,943, compared with £264,612, for 1951.

Marine Department: Premiums for the year 1952 amounted to £1,845,375 against £1,977,842 in 1951. We have transferred £221,914 from our marine fund to profit and loss account.

Life Department: The year 1952 produced a record amount of new life business, the total after deducting reassurances amounting to £13,713,864, against the previous year's figure of £10,446,886. One of the chief factors contributing to this result was the increase in group life assurance which totalled £4,575,180, compared with £2,506,664 in 1951.

The life revenue account now stands at over £36,500,000, an advance of approximately £700,000 on the 1951 total.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The results of our operations for the year are summarised in the consolidated profit and loss account. Interest on investments amounts, after deduction of income tax, to £864,023, compared with £807,884 in 1951. The fire, accident and marine accounts contribute a total of £1,825,353 against an amount of £1,770,385 in the previous year. In addition, there is a further share of profit from the life branch of £49,878.

United Kingdom taxes absorb £590,519 and overseas taxes charged to this account £200,517. A sum of £120,000 has been written off investments and we have made the usual transfers to the staff pension fund and the widows' pension fund.

On the ordinary share capital the directors are recommending the payment of a dividend of 10s. per share, less income tax.

We are left with a final balance of £14,253,230, representing the aggregate amount carried forward not only of the "North British" but also of its associated companies at home and overseas.

AERATED BREAD COMPANY

INCREASED TURNOVER OFFSET BY RISING COSTS

MR J. G. GIRDWOOD ON IMPRESSIVE FINANCIAL POSITION

The annual general meeting of the Aerated Bread Company, Limited, was held on April 10th in London.

Mr J. G. Girdwood, CBE, CA (chairman and managing director), presided, and in the course of his speech said:

The net profit of the parent company, at £238,155, is sufficient after payment of the preference dividend to maintain the ordinary dividend at 10 per cent, transfer £125,000 to reserve, and add £20,852 to the amount to be carried forward to 1953. £142,931 of our profit arises from the surplus on the realisation of certain fixed assets, the principal item here being the sale of one of our leasehold properties.

In the light of my remarks last year on the continuing rises in costs of every kind, some decrease in our operational profit was to be expected. The rapidity of the increases in costs with which our industry is faced makes it hard to be up to date for more than a very brief period, and shortly after our meeting last year we were confronted with fresh unforeseen increases. The most serious of these was the effect on the prices we had to pay for many of our most important items of consumables following the withdrawal of a large part of the food subsidies in the 1952-53 Budget. During the year increases in wages were granted to the workers in practically every section of the business, some trades obtaining more than one increase within the year. It is common knowledge that the cost of repairs to, and maintenance of, properties continues to rise, and our annual expenditure under this head is a very heavy item. You are all familiar with the increased prices we have to pay for the products of our nationalised industries, coal, gas and electricity, and the increased charges for transport and freight rates. And added to all these are the increased and increasing charges we have to bear for local rates. In 1952 the amount we had to pay for local rates was more than half as much again as the amount payable by way of dividend to the ordinary shareholders.

Naturally we endeavoured to recover some of the increased costs through increases reluctantly made to the prices charged for the goods we sell to our public. Such increases are made only under the stress of necessity and after full consideration of their potential effect on the volume of our trade, but you will appreciate that inevitably there is a time lag between the increased costs we have to meet and the increases in our prices to our customers.

Our turnover in our normal branch trading showed a substantial increase over the 12 months to December, 1951, but the benefit was more than counteracted by the increased costs and charges we had to meet.

In any comparison of 1952 with 1951 it should be borne in mind that 1951 was Festival of Britain year, and that the influx of visitors to London on this account was of considerable benefit to the business generally.

These are the causes for the decline in our operational profits in 1952. To overcome these causes every department and every activity of the business is being overhauled and strengthened. Every effort is being made to speed up work on our programme for the improvement and modernisation of our branches.

LIQUID POSITION

Including the suspense account, current assets exceed current liabilities by £361,583.

I think you will agree that the strength of the financial position disclosed in the balance sheet is impressive.

TAXATION v. DIVIDENDS

In the last seven years ordinary shareholders have received in all £503,986, while reserves and "carry-forward" have been increased by £574,270 out of revenue. In the same seven years we have paid £655,953 in respect of local rates—it seems inevitable from recent announcements that the burden of local rates will increase further and heavily as the real cost of our welfare State unfolds. This charge is one which has to be met irrespective of our earning capacity, and must be reflected sooner or later in our prices for our services.

In the seven years since 1946 we have provided out of profits no less a sum than £2,225,862 for Imperial taxation.

These two forms of taxation, Local and Imperial, have taken out of your business in these past seven years nearly six times as much as you, the owners of the business, have received in that same period.

THE OUTLOOK

In the first three months of the year now current our turnover has been well maintained, but profit margins have narrowed. This year, however, will be a memorable year in the annals and the history of our country, and in the atmosphere of rejoicing which will surround the Coronation of Her Majesty the Queen, the demands on the catering industry, particularly in London, will be great. We are assured of our full share of this increased activity. Our confidence in the long-term prospects of this company was never so high.

The report and accounts were adopted.

THE BRITISH VACUUM CLEANER AND ENGINEERING COMPANY

The forty-ninth ordinary general meeting of The British Vacuum Cleaner and Engineering Company, Limited, was held on April 15th at Leatherhead, Surrey.

In his speech to the shareholders the chairman, Mr J. J. Hambidge, reported continued growth in the industrial sections of the business, but referred to the difficult conditions in the domestic electric appliance section consequent on the combination of double purchase tax and consumer credit restrictions.

There had been a decline in profits against the high level of the previous year, reflecting the adverse conditions of the latter half of 1952 and the incidence of rising costs.

The financial position showed improvement, whilst fresh working capital had recently been made available by the negotiation of the sale of freehold property reflecting substantial capital profit.

Rising costs and the adverse trading conditions of the first six months, due to double purchase tax and hire purchase restrictions, would inevitably find reflection in the current year's results.

In his introductory remarks the chairman paid warm tribute to his predecessor, Mr H. C. Booth, who retired from the chair last year after serving as a director of the company which he established 50 years ago following his original invention of the vacuum cleaner.

The report and accounts were adopted.

IONIAN BANK, LIMITED

EARNING CAPACITY MAINTAINED

The one hundred and fourteenth annual general meeting of the Ionian Bank, Limited, was held on April 14th in London, Mr A. H. Reid, CBE, the chairman, presiding.

The following is an extract from his circulated statement:

The bank's figures for 1952 reflect the fall in world prices of commodities and the recession in trade since the post-Korean boom. Thus the total balance sheet figures stood at £16,232,568 on December 31, 1952, compared with £18,813,514 at the end of 1951. Most of this decrease is due to the smaller amount outstanding on December 31, 1952, in the liabilities of our customers for documentary credits, guarantees and other obligations, the total of which was £3,578,128, as against £5,244,683 on December 31, 1951.

Investments have increased during the year from £1,704,220 to £1,889,066, this being due almost entirely to an increase in other investments. This item includes a holding of short-term Egyptian Government bonds to which we subscribed at the end of the 1951-52 cotton season in common with other banks operating in Egypt. The total of our current, deposit and other accounts is rather lower at £11,619,056, compared with £12,617,253 on December 31, 1951, but the liquid position of the bank continues to be strong.

The earning capacity of the bank has been well maintained, and in the circumstances we feel justified in recommending the payment of an increased dividend.

PROGRESS IN GREECE

In Greece the national economy has had to adjust itself to a lower level of foreign financial aid. State expenditure was considerably reduced and credit had to be restricted, which naturally resulted in a slight decline in industrial production, for there is still a great shortage of capital in the country. The increase in bank deposits, which had been a satisfactory feature of the two preceding years, was checked and throughout the year funds were scarce, a proof of which has been a fall in the price of the gold sovereign in Greece. The authorities were, however, successful in preventing a further rise in the cost of living. Our Greek branches have benefited from the more stable conditions and have played their part in assisting the country's economy. The profits earned are made in drachmae, but, as in previous years, the Greek exchange control authorities have allowed us to remit only such amounts as could be shown to be required to meet specific liabilities incurred in this country on behalf of our Greek branches.

EGYPT AND CYPRUS

Since the recent political changes in Egypt, conditions in the cotton market have been more stable and more realistic. The price of Egyptian cotton now bears a closer relation to world prices than for several seasons past. This has put Egypt in a better position to find purchasers abroad. Unfortunately, there has been a steep decline in British imports of Egyptian cotton, which for the calendar year 1952 totalled only £10,033,000, as compared with £43,429,000 in 1951. This has naturally led to a shortage in Egypt's holdings of sterling, and to a sharp decrease of imports from this country. The quantity of cotton handled by our branches during the current season was in excess of that handled in the previous season. Our commercial banking business also has been well maintained, and results in Egypt have been satisfactory. In Cyprus our branches had on the whole a satisfactory year.

The report was adopted.

TELEGRAPH CONSTRUCTION & MAINTENANCE COMPANY, LIMITED

(Manufacturers of Cables, Metals and Plastics)

The eighty-ninth annual general meeting of the Telegraph Construction & Maintenance Company, Limited, was held on April 14th in London, The Rt Hon Lord Colgrain, chairman, presiding.

The following are extracts from his circulated statement for the year 1952:

The difficulties I referred to a year ago in connection with the supply of raw materials gradually eased, so that during the latter half of the year our machine capacity and manpower were worked to a maximum, with the result that production and turnover were considerably higher than in the previous year and the trading profit also increased.

The liquid position has been maintained on a sound basis consequent on the new issue successfully carried out during the summer, current assets exceeding current liabilities by £1,804,100, an improvement of £650,496 on the position a year ago.

The gross profit, after charging depreciation and research and development expenditure, amounts to £486,054. The net profit is £194,017, against £165,654 in 1951.

The directors' final dividend recommendation is 3¼ per cent on the new capital of £1,954,092. In view of the year's good results, the directors feel justified in also recommending a special cash bonus of 1 per cent rather than an increase in the ordinary dividend.

Our operations continue to expand throughout the Commonwealth, as well as with other countries.

The report and accounts were adopted.

SAPONG RUBBER

In his statement accompanying the annual accounts and the directors' report for 1952 of the Sapong Rubber Estates, Limited, the chairman, Mr W. Percy Pinckney, writes:

The primary concern of a company operating in North Borneo is the inadequate supply of labour. On Sapong Estate we found ourselves better off than previously, but we still have not enough tappers of the right quality. In our jungle reserve, 235 acres were cleared and 92 acres were planted; it is hoped to plant the balance, and perhaps a small further extension, in 1953.

The year's crop having been sold at prices averaging 2s. 3d. per lb. London landed terms, as against 3s. 6½d. per lb. for the previous year's crop, the net profit after tax, at £14,836, is little more than a quarter of the previous year's figure. The board recommends a dividend of 10 per cent.

The company has now received the whole of the grant from the Government of North Borneo for which it is eligible in respect of war damage suffered during the years 1942 to 1945. After provision is made for taxation on this grant, a balance of £5,225 remains available. From this sum and from the profit earned in 1952 the directors have transferred £10,000 to the reserve for replacement of planted areas. Sapong Estate is fortunate in having a large area of excellent land in reserve. After providing for this transfer and for the dividend recommended, the balance to be carried forward to the next year's account will be £11,874 against £8,113 brought in from the preceding year.

My colleague Mr Horner was in North Borneo recently and visited Sapong Estate. He was much pleased with all he saw, after inspecting all sections of the property.

SENIOR RESEARCH-PLANNER

CITY OF VANCOUVER (COMP. 0-150) Senior position as research analyst to take charge of basic economic and sociological surveys. Qualifications: High academic qualifications in economics with specialization in statistics, land economics and related subjects; considerable experience in financial and statistical studies in industry, business or social work, preferably including experience in City Planning. Salary: **$428 to $514** per month.

All applications should be submitted in detail to the

Personnel Director, Room 210, City Hall, 453 W. 12 Ave., Vancouver 10, B.C.,

within 3 weeks after date of publication.

SALES MANAGER. The appointment of Sales Manager in a prominent company of glass container manufacturers is now vacant, and applications are invited from men between the ages of 35 and 45 who feel they possess the requisite qualifications and experience to fill this important position satisfactorily. The main duties fall into two parts:—

(1) The control and organisation of an office staff dealing, among other things, with sales records and statistics, order routines and progressing, and invoicing.

(2) The control and organisation of the activities of the company's outside representatives.

In addition, the ability to co-operate with and gain the co-operation of other sections of the company, and the ability and presence for customer contact as occasion requires, will be essential qualifications. Knowledge of the industry is desirable, rather than essential, but applicants should be prepared to live and work in N.W. England. The salary to be paid and other amenities available will be in keeping with the importance of the work and the qualifications of the successful applicant. Letters should be addressed to Bdx F 781, Lee and Nightingale, Liverpool.

OPPORTUNITY for educated young man, preferably Graduate, to commence career with Insurance Brokers specialising in Credit Insurance and Credit facilities. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.—Box 227.

BARRISTER (41), chambers trained, called July, 1952, after successful services career up to 1950, requires administrative or legal post with good long-term prospects. Public school and university background. Widely travelled Europe and East. Good linguist. Would serve abroad.—Box 233.

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ASSISTANT STATISTICIAN

Applications are invited for the appointment of Assistant Statistician in the Central Statistical Office of the Town Clerk's Department. Candidates should have a University Honours Degree in Science, Mathematics or Economics and should have had some experience of research involving the analysis and interpretation of mass data. Experience in Local Government Service, whilst not essential, will be an advantage. Salary Scale A.P.T. VIII (£760 x £25—£835). Post pensionable; medical examination.

Applications, giving age, where educated, details of degrees, diplomas, etc., particulars of previous occupations, including details of statistical training and experience, with names of three referees, to the Town Clerk, Room 30B, Council House, Birmingham, 1, not later than Saturday, April 25, 1953. Canvassing disqualifies.

SALZBURG SEMINAR IN AMERICAN STUDIES, SCHLOSS LEOPOLDSKRON, SALSBURG, AUSTRIA

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General Session, July 15th to August 23rd (Art, Literature, Music, Philosophy, Political Science and Psychology).

Economic Session: An Approach to the American Economy, August 30th to September 27th. Lectures and seminars at the post-graduate level. General age range, 23-35. Special attention given to those engaged in teaching, public life, or creative work, and to advanced students.

For further information and application forms, please write promptly to Salzburg Seminar, 55, Upper Brook Street, London, W.1. For the General Session, application forms must be returned by May 1st, and for the Economic Session by July 1st.

EAST AFRICAN INSTITUTE OF SOCIAL RESEARCH, MAKERERE COLLEGE, THE UNIVERSITY COLLEGE OF EAST AFRICA

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CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability)—ONTARIO & QUEBEC RAILWAY COMPANY—5 PER CENT. DEBENTURE STOCK—6 PER CENT. COMMON STOCK. In preparation for the payment of the half-yearly interest payable on June 1st next, the Debenture Stock Transfer Books will be closed on May 1st and will be re-opened on June 2nd. The half-yearly interest on the Common Stock will be paid on June 1st to holders of record on May 1st.—R. F. TREMAYNE, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. April 13, 1953.

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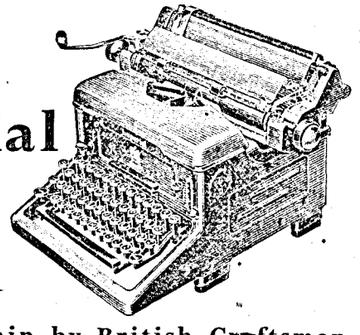
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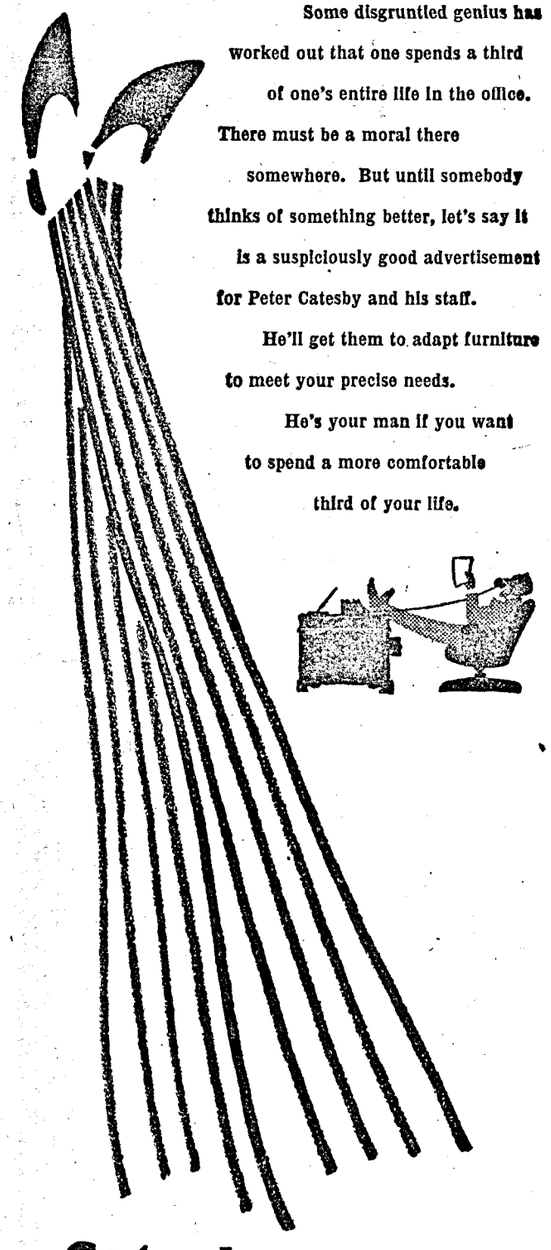
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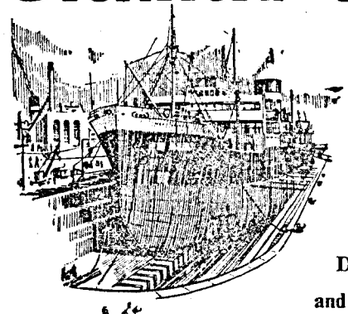
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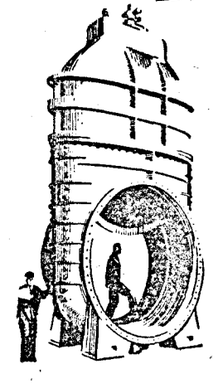
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APRIL 25, 1953

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After Eisenhower

IT has still to be shown whether the Moscow triumvirs understand the full import of President Eisenhower's reply to their recent gestures of goodwill. They will be mistaken if they treat the speech he made in Washington on April 17th as no more than a tough and public declaration of minimum terms for peaceful co-existence or a return to Rooseveltian rhetoric. In fact it contained some of both ingredients, as well as a number of other things calculated to satisfy different tastes. The crusading note was there for the militant Republicans; yet it was used not to threaten the Chinese or to cheer Chiang Kai-shek but to declare that Americans are ready to "dedicate our strength to serving the needs rather than the fears of the world." The idea of going beyond containment of Communism was there for Mr Dulles, but only in a restrained and quite general demand that the peoples of Eastern Europe should be free to choose their own forms of government and to associate with what peoples they wish. There was no surrender of the Democrats' plans for integrating Germany, divided or united, with Western Europe; only a hint that the Europe to be united should stretch up to the frontiers of Russia. For the free world of America's allies there was the insistence that the Communists must show "the fullest respect for its rights and interests." And for the mass of ordinary, peaceful folk there was offered the vision of "a golden age of freedom and peace."

Indeed, the President was speaking in a predicament that Malenkov should be as well placed as any man to understand: the position of trying to create out of a confused home situation and a dangerous foreign outlook a basis for national unity and personal leadership. It is to be hoped that each of these two new leaders of great nations understands that the other, like himself, is restricted by internal difficulties from doing just what he wants to in foreign policy. It is because the speech reveals the hopes and fears that make up the American attitude in the cold war that it is valuable. And it depends very much on the Russian reaction whether the Americans begin to think seriously (they have not done so yet) about the terms on which peaceful co-existence is acceptable or whether they apply the crusading spirit to "winning the cold war"—whatever that may mean.

This necessary ambiguity should be remembered before the President is criticised. Mr Churchill, under less pressure, could content himself with saying

> It seems to me that patience is needed rather than haste. In my opinion no one can measure the extent or purpose of the change which has become apparent in the Soviet mood, or even perhaps in their policy.

If the President had said no more than this, he would have been accused in the United States of lack of leadership and in Europe of fearing peace. As it is, he succeeded in combining hope with caution, shrewdness with enthusiasm and general terms with particular objectives.

Supposing that the Russians take time to make their views

clear, whether publicly or privately; supposing that the path towards negotiation shows itself to be steep and narrow; what do the western governments do meanwhile? Should they go on with their programmes and stick to their agenda? The answer is still Yes, more especially at a moment when the Atlantic Council is meeting in Paris for the first time since Stalin's death and President Eisenhower's inauguration. They cannot, indeed they should not, pretend that nothing has changed; in particular it is futile to urge that Nato's policy for the defence of Western Europe and the general rearmament effort in the West can be wholly unaffected by the Russian attitude and the western reaction to it. On the other hand, until there have come from Moscow the clearest signs not only of practical goodwill but of the present regime's power to make substantial concessions to the free world's demand for security—those "clear and specific acts" that the President asked for—talk of disarmament as just around the corner is foolish and harmful. Even if it comes to negotiation with Moscow and Peking on major issues, the days of bargaining may be among the tensest the world has known since 1945. If agreements are reached on paper, their execution will involve risks as well as difficulties. Mr Dulles is quite right when he says that the Atlantic Alliance must remain strong while peace is being organised.

★

But this does not mean that the Atlantic allies have yet found—or even sought—the right method of reaching and maintaining military strength. If they are thinking this week in Paris of a protracted rather than an intense effort of armament, then the methods of the past three years cannot be right for the next three. The fact is that neither the Americans nor the British really understand how to arm for a period of armed peace; and Lord Montgomery is right when he goes on insisting that the problems of national (and international) defence during cold war or armed peace need thinking out afresh. One wonders whether the fighting men and the scientists would not be compelled to do that thinking now if they had reason to believe that they would be offered a fixed and limited volume of resources for a period of years instead of fluctuating sums on an annual basis. There are reports that the Americans have come to see the immense advantages of such a method of financing the defence of their allies, and that they will ask Nato to examine it. If they do, they should be strongly supported, whatever national treasuries may have to say about practical and political difficulties.

It is not too much to say that no one knows how much cold war the Russians want to stop. It may be that they wish to stop it in areas where it is hurting, or threatening to hurt, them. They may wish to stop it altogether but find it not easy to call to heel the dogs of war they have unleashed—for instance in Asia. Nor is it known how long it would take to carry out agreements involving enormous movements of troops and supplies. It is a reasonable calculation, therefore, that to modify the cold war will bring at first nothing better than an armed peace, and that the vision of a world dedicated to social and economic improvement is one to be treated with caution and patience.

Those, therefore, who are talking already of the economic revolution that might follow the lessening of tension—among them, surprisingly, Mr Butler—should choose their words carefully. For if little is known about the right way to conduct defence in a long period of armed peace, even less is known about the right way to conduct economic policy in such a situation. And it is the balance between military and economic risks that it is Nato's special task to weigh.

Policy for Africa

DR MALAN's victory in the South African general election will have widespread repercussions outside the Union. It will affect alignments in the United Nations and cannot be expected to leave the atmosphere of Commonwealth relations unchanged. But its immediate impact will be upon Africa and consequently upon Britain as the colonial power dedicated to the development of self-governing institutions in Africa and, therefore, at grips with rising African nationalism.

Political actions in any one part of Africa—or at least of British Africa—now affect the rest. There is no African International, but African leaders everywhere react to news with increasing quickness, intelligence and political maturity. The very smallness of the African educated elite gives it disconcerting influence over a gullible but education-hungry majority. The pace of African political development has quickened to a degree which greatly complicates the carrying out of British policy, and magnifies every development on a continental scale.

The pre-eminent example of this, apart from the worsening of race relations in South Africa itself, is the rapid advance of the Gold Coast towards self-government and Dominion status. In West Africa it has fired Nigerian politicians with a nationalist precipitancy which threatens to wreck the country's federal structure. In Central Africa, the mere prospect of "a Gold Coast solution" helped to inform and and turn African opinion in Northern Rhodesia and Nyasaland against the more moderate alternative of federation, and to convert the Southern Rhodesian settlers to it. In East Africa, the reaction of the white settlers to the

speed with which self-government for the Gold Coast is being hurried on has been to harden their distrust of the Colonial Office; in the south, it has further convinced the Afrikaners that British policy is second only to Communism in danger to the future of "white civilisation in Africa." The West Africans react in turn from the plan of federation in Central Africa and from Dr Malan's triumph by stepping up their campaign for rapid Africanisation of their administration and by serving notice to quit on the white agents of a protean white imperialism. The Mau Mau outbreak, though confined to a single tribe in Kenya, has had a comparable effect—increasing the groundswell of African resentment in West and Southern Africa, and hardening the feeling among the white settlers of East, Central and South Africa against British liberal policies.

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As the cleavage between "Black Africa" and "White Africa" deepens, British policy begins to appear so inconsistent as to seem merely opportunist; a policy made by events rather than shaping them. In West Africa, the African is accounted capable of the highest offices, political, judicial, administrative. In Central Africa, such promotion is inconceivable. There, as in Kenya, nominated Africans represent their people as a small minority in the Legislative Council and are socially kept outside the pale; but Tanganyika is treated as ripe for a constitution in which each race, European, African and Asian, has equal representation. Moreover, Uganda is developing visibly towards "a Gold Coast solution," while the Sudan, which has a common frontier with Kenya, is to be hurried not only into self-government and Sudanisation, but even into political independence, outside the British Commonwealth, possibly within the year. African opinion is overruled in the making of the federation of the Rhodesias and Nyasaland—but is held to constitute an indefinite veto on the transfer of the Bechuanaland, Swaziland and Basutoland protectorates to an impatient South Africa. But no bones are made about handing the Southern Sudanese over to the control of the descendants of those who formerly oppressed them.

Put in these terms, British policies in Africa hardly make up an impressive picture. But under this patchwork there is—or at least until recently there was—a perfectly consistent central design. If less clear-cut than French or Belgian policy in Africa, it was none the less definite; it was, in fact, the same liberal Commonwealth policy that found expression first in the growth of the self-governing Dominions and later in the peaceful transfer of power to succession governments in India, Pakistan and Ceylon. Britain's policy for Africa was education for nationhood and self-government—self-government of a kind which presupposed representative institutions, a British system of justice, and fair treatment of minorities. But it was, and indeed is, a policy which involved different rates of advance according to the circumstances—racial, political, economic, social—of each territory. The engrafting of organs of local self-government began in British Africa in the nineteenth century—in the Cape and in Sierra Leone. Progress has been steady if at times slow; it has had to keep in step with the growth of the local community. Thus it was inevitable that the Gold Coast's political development, in view of the growth of its middle class, made prosperous by cocoa, should overtake Sierra Leone and outstrip Nigeria; and it was inevitable that in East Africa self-governing institutions should be overshadowed by the white settlers, who developed those countries and largely created their wealth. It was always clear that in these territories African social evolution would take some time to catch up with European—a contingency far enough ahead to make it unnecessary to examine closely its ultimate implications.

The record is one in which the British people can justly feel pride and from which they can still draw inspiration for the future. Quite specifically the British liberal can feel gratified by the transformation that his ideas have wrought, within half a century, in what used to be called the dark continent. But the time is coming to wonder whether the same basic, and basically simple, formula of western liberalism can continue to be applied to the whole of Africa. There are two groups of territories with a difference between them, and year by year the difference is becoming more fundamental. There are, on the one hand, the territories where the white man is no more than a temporary sojourner who, when his service is performed or his business done, will go home. These are the West African territories, Uganda, the Sudan and (still largely) Tanganyika. On the other hand, there are the areas where other races, from Asia as well as from Europe, have settled and show no signs of going home—Kenya, Rhodesia and the Union itself. In the first group, the all-black territories, nothing has happened to shake the basic premises of British policy. There is room for plenty of difference in the tactics of its application—differences of local circumstance and differences of opinion about the pace of change that can be made to work. But there is no reasonable doubt about the objective, which is to build self-reliant and self-governing societies.

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But in the second group, it is impossible not to feel that something is going wrong with the policy that the liberalism of the Colonial Office has set: the policy of working towards a state in which all educated men, of whatever race or colour, shall have equality of political

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and economic rights. The doubts do not relate to the moral rightness of the policy but to its practicability and they turn on the question of timing. It is not just that the timetable has been speeded up; the trouble is that there needs to be a timetable. There may be fewer educated Africans in East or Central Africa than in West Africa, but man for man they are no less capable and their numbers are growing every year. They will soon demand to know how long they are to wait. And is the longest time that they can be made to wait anything like the shortest time that it will take the white settlers to adjust themselves to the idea of black legislators, black ministers—and eventually black voters in a majority?

This question is not asked with any suggestion that it is unanswerable. But it is the question that both parties in this country, and people of British stock in East and Central Africa, should face while there is yet time. It would be wrong to presuppose that disaster must supervene in West Africa or that partnership must shrivel to mere hypocrisy in Central Africa. It is profoundly in the interest of West Africans to make a success of self-government, and to show that the "Gold Coast solution" will not, as many Afrikaner observers aver, merely produce so many Liberias of prewar vintage. It is no less in the interest of a Central African dominion to find a solution as satisfying for different circumstances and historical evolution as the Gold Coast one on the west coast.

Yet the problem of the indigenous white minority in a black territory remains a profoundly difficult one. Perhaps it cannot be solved by the application of any formulae evolved in the far less complex setting of Western Europe and North America. Certainly it will not be solved if it is allowed to become the plaything of attitudes struck for domestic consumption by politicians safe in the certainties of an all-white homeland. It does no service to West Africa to look at development there through rose-tinted spectacles—to assume easily, for example, that even the Gold Coast can now produce, or will for a long time produce, sufficient men with the training and character wholly to man the public services, technical or administrative. Equally, it brings the solution in East or Central Africa no nearer to overlook the fact that the mainspring of these territories' economies and past progress has been the dynamism of the settlers, and so it will remain for decades. But the fact remains that the settlers' powers, privileges and future are what Britain makes them; the presence of British troops in Kenya is an earnest of the extent to which Britain underwrites present white leadership. The problem cannot be solved without the settlers' cooperation; but unless people start to think about it here at home in Britain, it will in the end be solved either by connivance in Dr Malan's methods, or by the savagery of which Mau Mau has given a foretaste—and in neither case by the principles of enlightened western liberalism.

Budgetary Risks and Incentives

THE discussion of the Budget, both in and out of Parliament, has during the past ten days been concentrated to a remarkable extent on only two main issues. First, is Mr Butler taking too big a risk with his tax reliefs? Will he be able to cover a large part of the Government's capital expenditure by borrowing instead of by taxation—by borrowing, that is, from genuine savings? Or will the attempt to borrow in fact involve creating additional bank credit, and therefore lead on to a revival of inflation, a new pulling of resources away from export production, and hence trouble once again with the balance of payments? This is the economists' question, raised in outside discussion rather than in Parliament. The politicians on both sides are readier to agree with the Chancellor that the economy can afford, and indeed requires, the stimulus of tax reliefs without corresponding cuts in government spending. The four days' debate in Parliament was therefore concerned chiefly with the second issue. Given that the shape of the Budget is about right—given that tax reductions costing £169 million this year leave the Chancellor with enough revenue—are the particular reliefs he has chosen those that give the right kind of stimulus?

Mr Butler, as a politician, was content to dismiss his critics outside Parliament very briefly. In his winding-up speech on Monday he said that last year he was accused in the same way of presenting too soft a Budget, but the critics were proved to be wrong and his hunch was justified; if he had budgeted for a bigger surplus, there would have been a million unemployed. Last year he was right to think that demand should not be depressed, and he therefore this year trusted his own judgment that it needs some encouragement.

This argument hardly matches in seriousness the weight of the criticism. If the Chancellor was right last year, it was certainly in part for reasons that neither he nor anyone else foresaw; he had a liberal share of good luck. That is no very sound basis for confidence in this year's guess. The real argument for Mr Butler's policy—and it is a very powerful argument—is quite different. It rests not on confidence in one hunch against another but on the fact that neither he nor anyone else really can have a hunch at all; there never was a time when the economic weather of the next twelve months was harder to forecast. This is the prevailing feeling not only among the administrators and economists but also in the board room and the market place. And, precisely because there are so many uncertainties, there is a real danger that business decisions will err on the side of caution at a time when the output of British industry

undoubtedly could be increased. It is reasonable to argue that if industry is not to neglect the opportunities of expansion open to it, the Chancellor should give some concrete sign that its markets will not contract.

Mr Butler was less than fair to himself in confusing this point with the argument that a harder Budget would create unemployment. That is as misleading as the current talk about the "slack" in the economy that must be taken up. If slack means unemployment, there is certainly no more of it than there has to be if any transfer of resources to exports and productive investment is to be achieved. What is true is that there is low productivity; there is under-production from the resources that are employed. The case for giving a stimulus rests not on the present state of employment, nor on its unforeseeable state later in the year, but on the belief that productivity can be improved provided only that industry does not fall into pessimism. Mr Butler's stimulus by tax relief is not an exercise in national income accounting—in reckoning how much money consumers need in order to provide full employment; it is an exercise in psychology. It expresses a belief that if the Chancellor is optimistic and encourages industry to be optimistic, production will rise and the optimistic assumptions of the Budget will thereby be justified.

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This appears to be the specific doctrine behind Mr Butler's phrases about a "new look" in fiscal policy. The doctrine has so attractively expansionist a flavour that no one but a political opponent could wish to crab it. Nevertheless, it does leave the outside critics with a powerful case; by its very nature, Mr Butler's policy is risky. If it were not, would he confine his stimulus to £169 million of tax relief—to 4 per cent of the expected yield of taxation this year? If production does not in fact respond to this small lifting of burdens, an inflationary pressure of demand on available supply may well revive. Last year's great increase in private saving reflected, after all, merely an initial reaction to an unfamiliar situation; this was the first time for many years that it had been unnecessary to finance stocks at rising prices. Internally, there is no certainty that savings will remain at this new level. Externally, it is far from clear that disinflationary pressure in the rest of the world—if it should materialise—is going to justify an attempt to keep up demand at home. For this country to go on inflating, however gently, while demand abroad receded, would be a short cut to deficit in overseas payments and disaster for the gold and dollar reserve.

All this does not mean that the Chancellor should have shunned the risk he is taking. When the outlook is in any event so uncertain, he is right to take the risk, but he is right only on two conditions. The first is that he should be very conscious of the possible need to change course quickly, to tighten up his fiscal or monetary policy at the first sign that an excessive home demand is again straining the British economy. He cannot go out walking with a gay confidence that it will be fine today because, as he thought and the professional prophets did not, it was fine yesterday; on the contrary, he should be on the lookout for clouds and (unlike Dr Dalton; either in reality or in metaphor) keep an umbrella close at hand.

The other requirement on which the justification of Mr Butler's policy depends is less simple. Since the margin for tax reliefs is in any event small, the risk should be taken only if the reliefs can be made closely to serve their purpose of expanding production. Are the measures that Mr Butler has chosen those that will provide a direct stimulus to industry, and stimulate it in the right directions? This is the second main issue of the Budget debate, the issue with which Parliament chiefly concerned itself. The Opposition, naturally, approached it from two angles: it asked not only whether the reliefs were adequately expansionist, but also whether they were sufficiently fair.

Fairness in the Labour mind is almost identified with egalitarianism, and a reduction in the standard rate of income tax is plainly not egalitarian. Of the total reduction in tax liabilities, 23 per cent is enjoyed by a mere 270,000 people with incomes of £2,000 and over, while the remaining 77 per cent is shared among 15,170,000 taxpayers—56 times as many. But the main significance of this comparison is that it reflects how high a rate of tax is paid by the rich. The effect of the Budget is that people with incomes of £20,000 and over will pay 2½ per cent less tax on the average; taxpayers with under £500 a year will have their tax bills reduced by 15½ per cent. Only the most extreme egalitarian can complain much about this. Certainly public opinion shows no sign of complaint. There is no one so poor that he does not gain a little from the reductions in purchase tax, and when no one is being hurt for someone else's benefit, the fact that a very few very rich people are being saved large sums in tax is too obviously unimportant for indignation. Certainly the serious Labour case, as it was put by Mr Gaitskell and his more able colleagues, passed on quickly from the argument of equity as such to the practical argument that more relief for the poor would be more effective in encouraging production.

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In principle, the Conservative reply on this point is clear and convincing. The extra activity that it is most important to stimulate—the thing that should take up the slack in the economy if there is any slack—is investment that will raise the productivity and increase the general efficiency of the major industries, and particularly of the export industries. The Chancellor's fine words were rightly addressed to this aim. But the actual measures fall considerably short of it. This year, industry is relieved of £45 million in income tax when its bill for the excess profits levy will increase by more than twice as much. Unless gross profits rise consider-

ably, the Exchequer will in fact leave companies with less, not more, resources to finance investment this year. It will be more than twelve months before Mr Butler's major reliefs to industry—the promised withdrawal of the excess profits levy and the restoration of initial allowances—have a large direct impact on industrial finances. The real stimulus to investment is a promise for the future, not a fact for the present.

Immediately, Mr Butler's stimulus to industry is simply the increased consumer demand that will flow from the cuts in purchase tax and personal income tax. Because there is scope for increasing productivity, and therefore no need to draw extra men into work for the home market, this extra demand may well do no harm. But it will do good—it will stimulate investment in the export industries—only to the extent that a more optimistic mood is contagious. And whether it is contagious depends primarily on world circumstances far beyond Mr Butler's control or anyone's foreseeing.

This, on reflection, appears as more than ever the main doubt about the Budget. It is whether the Chancellor's measures match his intentions, whether the stimulus he is providing will operate at the points that are decisive for the strength of the British economy. It is possible only to hope that—if the overseas demand for British goods keeps up—the political limitations within which the Chancellor has felt compelled to work do not prove to be too stultifying of his economic design.

Neither Milk Nor Honey

THE Jewish calendar proudly reckons its 5713 years and in Jewish history decades are as nothing. Nevertheless, when Israel this week celebrated the fifth anniversary of its statehood, it had every right to consider the past five years as exceptional, both for endurance and achievement. In these years 700,000 immigrants have been brought to their promised land, and there are now over one and a half million Jews gathered on this narrow strip between the desert and the sea. Over these last five years Israel's military strength has tripled and large areas of wasteland are being tilled for the first time in a millennium. Out of a chaos of terrible memories, out of refugee ships and frontier camps, a state is being welded, and it has withstood adversities under which nations far more solidly established might have foundered. But together with the legitimate sense of pride which animated Mr Ben-Gurion's Independence Day broadcast, there is a sense of deep anxiety. The people of Israel (and this very phrase has a biblical ring) are perfectly aware that their survival as a nation with economic and political independence hangs in the balance.

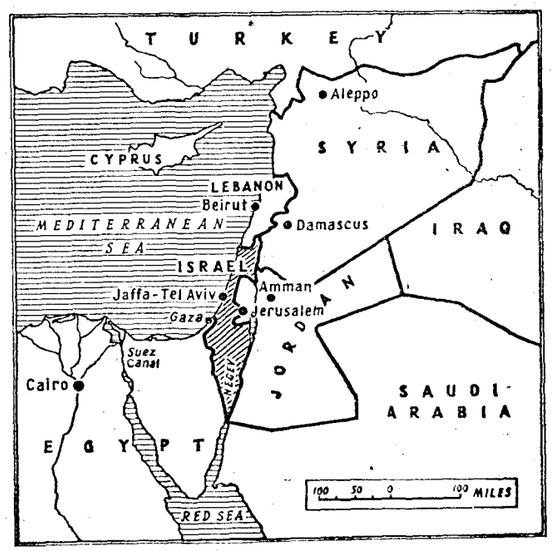
Israel's difficulties make an economist's nightmare. In order to survive and feed its continually growing population it has had to try and build productive industries as rapidly as possible. This has increased the strain on the balance of international payments and it has also created purchasing power in a field of employment that is unproductive of consumer goods. As a result, Israel exists on the very edge of uncontrollable inflation. Although there is some improvement over April, 1951, when eggs cost 2s. apiece and coffee 24s. a pound, the situation remains extremely critical. Over the past four years the trade deficit has amounted to £1,400 million, and with every 100,000 new immigrants £1,100,000 a year is added to the nation's import bill. Israel's exports have been declining steadily owing to their uncompetitive prices and the latter, in turn, arise of necessity where eighty per cent of factories employ less than ten workers each and where the trade union organisations play a dominant and often shortsighted and restrictive role. The cost of living has risen by nearly sixty per cent during 1952 and home purchasing power has correspondingly declined. In a state where socialism was to be the reality of today rather than the dream of tomorrow, rationing now goes by the purse.

Agriculture is also going through a difficult period, and the government's decision to reorganise it completely along co-operative lines has caused a sharp decline in immediate efficiency. Too much, moreover, has been spent on agricultural machinery, much of which is being swiftly worn out by inexperienced handling, rather than on irrigation, and the recent drought in the Negev is assuming disastrous proportions. The government clearly recognises that Israel must grow more of its own food if it is to survive, and every effort is being made to move the population from the overcrowded cities on to the land: in the last eight months alone, 2,000 families have been transferred, and by 1955 Israel hopes to grow enough food to support two million inhabitants in everything except bread grains and meat.

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This general economic situation has resulted in the fact that most factories now work under capacity and that fourteen per cent of industrial workers are unemployed. In a land where existence is to be synonymous with a new life, unemployment is doubly tragic. Despite the devaluation of the currency in February, 1952, the inauguration of a more selective immigration policy, and a shift away from the over-ambitious socialism of Israel's first years, the government still faces a financial situation which is nearly desperate. At the end of 1952, export earnings covered only eleven per cent of imports. There is not enough foreign currency available to import capital goods, and production in Israel itself is continually stalled by a shortage of supplies and raw materials. Israel has kept its head above water by expedients ranging from borrowing to begging; since its foundation in mid-1948, it has received $293 million in official aid from the United States and about $186 million in the form of released sterling, aid from other governments and the unceasing private efforts of Jews throughout the world. At present, however, Israel realises more and more that economic salvation must come from within itself. At the end of last month foreign exchange rates were further modified, which, in some cases, means a sixty per cent devaluation of the Israeli £ in terms of the dollar. The Knesset has voted a compulsory loan of £1.45 million to be extracted from property owners, and defence expenditure will be cut from £1.45 million to about £1.42 million. Above all, efforts will be made to rally the trade unions to a more realistic view and to halt the continuous spiralling in wages.

In all this dark picture, there is a ray of hope in the form of the German reparations which were ratified by the Bundestag in February. They will amount to some $820.4 million and payment is to extend over the next twelve years. One-fifth of Israel's imports will be in the form of reparations and a plan is ready for investing some $615 million of the German payments in railways, road transport, telecommunications and irrigation. But even in its penitential guise, the German dragon has a perilous sting in its tail: German consumer goods, imported as reparations, can easily undermine Israeli prices and this help, bestowed in memory of the dead, may bring further unemployment to the living. The obvious answer to this is that the labour force now occupied in Israel's highly protected and inefficient consumer goods industries should be moved into more necessary tasks. But to many of the immigrants, particularly among the elderly, neither the toils of a frontier agriculture nor heavy industry offer an inviting prospect.



When considering the grave difficulties of the future, Mr Ben-Gurion has to look not only at the economic plight within Israel, but also at the ring of enemies which surround its frontiers. He may have thought of the words of another ruler in Israel who found himself in a similar situation many thousands of years ago: "Mine enemies would daily swallow me up: for they be many that fight against me." The Arab nations have by no means forgotten the defeat they suffered in 1948-49 and, although General Neguib himself may take a more mature view of the situation, his Arab colleagues continue their sabre-rattling and nurse dreams of vengeance.

So deep do passions run in the Middle East that it is idle to look for a quick solution of Israel's problems. It may be, however, that the outside world could give some help. If one thing is clear it is that the indefinite continuance of bitter tension and heavy armament expenditures will be ruinous to Israel, to the Arab states and the foreign policy of the western powers. The United States and Britain have already jointly stated that they will not tolerate another Arab-Jewish war; they might say it again, in such a way as to carry the conviction that they mean it. They might also reflect that their present policy of supplying arms to both parties is a dangerously negative form of demonstrating their impartiality. The Jews, of course, would like an open declaration of partiality, in the form of pressure brought to bear by Washington and London on the Arab states to abandon their hopes of revenge and accept the armistice settlement as permanent. But this is not practical politics—if relations between London and Tel Aviv are better than they were, so are relations between Washington and Cairo—nor would it be right. If the western powers are to go over from their present negative indifference to one of positive conciliation, quite substantial concessions will be needed from Israel. In the first place, the new state will have to show that it has outgrown the terrorism and violence in which it was born. It will have to rid itself of the political temper that results in the planting of bombs in legations or in attempts to cripple the hand of a Heifetz because he had performed music by Strauss. And secondly, there will have to be a recognition from Tel Aviv of the injustice that was done to the Arabs of Palestine in the process of doing justice to Jewish aspirations, and a willingness to make some reparation.

This is a great deal to ask of a fiercely proud new nation. But not too much. In its first five years, Israel has conquered its enemies and gone far to conquer the harsh realities of the desert. If in its second five years it can show itself master of its own passions, then the way will open up to the realisation of that dream of a prosperous and progressive homeland with which so many generations in so many lands have buoyed themselves up amid their tribulations. To the Jewish people endurance and survival are not a mere goal: they are a habit.

Notes of the Week

The Gap Continued

THE indignation aroused in this country by the Chief Joseph affair (on which our Washington correspondent comments on a later page) is only natural and perfectly justified. After all the preachments that have been addressed in this direction since the war, the spectacle of the American Cabinet trying to find some dodge to avoid accepting the lowest bid is very well calculated to stir resentment. But indignation by itself serves little purpose ; what is far more important is to draw the consequences for policy.

The essential moral to draw is that forecasts of the probable future course of American commercial policy should not be based on the speeches of private persons, however eminent, or on the resolutions of Chambers of Commerce, or on the reports of Committees even if officially appointed, nor yet on the generalised opinions of members of the Administration, but on the views of the majority of Congress. And as the practical men in Washington know, the problem of 1953 (and probably of 1954 also) is not to make progress in reducing the barriers round the American market, but to prevent any serious back-sliding. When Senator Taft was asked what he thought of Mr Butler's slogan "trade not aid," he said he agreed with the second half ; there is no reason to suppose he was trying to be funny.

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In laying out any course of policy for Britain, and quite particularly for the pound sterling, the essential thing to know is whether there is a good realistic hope that the dollar gap can be closed before too long and without too much restriction. If it is reasonably possible to look forward to a time when the supply of dollars in the exchange markets of the world will be roughly equal to the demand for them, then it is also reasonable to make promises of convertibility, of removing exchange restrictions and of abandoning discriminations against American goods. But if there is always going to be a dollar gap, then to promise any of these things —and even more to promise all of them together—is to run into certain trouble. And it is no sort of answer to say that an inconvertible, restricted, discriminating world will be a very unpleasant one.

The view that has been consistently held by this journal for at least a decade is that the dollar shortage is—unfortunately but inescapably—likely to be a permanency. That conviction has led us to oppose, in turn, the Bretton Woods agreements, the conditions attached to the dollar loan of 1946 and—more recently—the plan to make the pound sterling convertible—not because any of these things were in any way undesirable, but because they were unattainable. The more optimistic views held by others have always seemed to us to be based (among other things) on illusions about what is likely to be practical politics in Washington. If the Chief Joseph affair, and the other straws in a protectionist wind that are clearly visible in Washington (some of them are mentioned in a Business Note on page 242) help to dispel these illusions, they will serve some purpose.

The Opposition's Case

MR BUTLER'S second Budget has brought further political success not only to himself but also to his chief opponent, Mr Gaitskell. A Budget devoted solely to relieving taxation, and therefore by definition "popular," left the Labour party facing an apparently unscaleable wall. Mr Gaitskell earned his followers' gratitude by pointing a way up and even hacking out some footholds. They are beginning to realise that the "fair shares" slogan has a very limited appeal when it comes to handing out concessions. Few people object to selective reliefs provided that there are no selective penalties on other sections of the community. Protests about a "Budget for the rich" will doubtless gain credence among the Labour party's most faithful adherents, but for general consumption they are weak. Mr Gaitskell gave his side a positive case by focusing discussion on the most doubtful point in Mr Butler's position—the real effectiveness of his intended prod to production.

Mr Gaitskell's judgment was vindicated by the fact that the only audible doubts from Conservative members have nearly all been essentially on the same point. Argument by prophecy is, of course, dangerous. If Mr Butler's hopes of higher output are fulfilled, the Labour party will look a little silly. But for the present it is grateful to be given a case of some sort, and at least Mr Gaitskell has his side well placed to profit from any economic disappointments.

The Opposition presumably intended that Mr Bevan's winding-up speech should provide emotional contrast to the cooler arguments of Mr Gaitskell and others. But over the weekend Mr Churchill intervened from Glasgow with his carefully worded remarks about election prospects. In effect he said no more than that the Government does not propose an early election unless the Opposition makes life unbearable at Westminster—which leaves him with all the room in the world for manœuvre. But his words nevertheless helped to dispel any genuine passion that might have remained in the Budget debate. It was no doubt because he sensed this that Mr Bevan tried to lace his normal, florid class appeal with some economic arguments of his own. In the event he fell between the two and was unusually ineffective. Although odd bursts of rhetoric brought cheers from the Labour benches, the speech as a whole was heard by his party with a friendly detachment more dismaying to a potential leader than any hostility. Those Labour tacticians who pushed Mr Bevan to the front bench in the belief that on the extra length of rope he would hang himself are beginning to think that they deserve congratulation.

Returned from Korea

EVERY day now brings its quota of new, and often conflicting, information from returning prisoners of war or internees about conditions in North Korea. Each individual can, of course, speak only of his own experiences, and there are other inhibiting factors ; men are reluctant to say anything that might lead to reprisals against their comrades still in captivity, and after two years or more of complete insulation from the world of truth a prisoner needs time to get his facts into proportion. It would, therefore, seem wise to postpone any final conclusions about the Communists' treatment of their prisoners until a larger volume of evidence is available.

Several points, however, already emerge clearly enough. The rapt attention paid to each returning prisoner's least word in itself reflects the rigidity of the barrier of silence behind which the Communists had kept them. No Red Cross missions had been allowed access to the camps in North Korea; no reliable lists of prisoners or postal arrangement had been available ; some of the men returned this week had been "missing," without a sign that they were still alive, for many months. It will be remembered that for a long time the fate was unknown even of the British diplomats and missionaries captured in Seoul, who, by the practice of civilised nations, should never have been kept prisoner at all.

Prolonged attempts were made to indoctrinate some of the prisoners, and the Communists made—and are still making—propaganda use of statements attributed to individual prisoners and internees, some of which have already proved to be distorted or wholly false. More immediate propaganda value, however, is now being found in the alleged contrast between the appearance of the prisoners at the exchange point. Prisoners being returned by the United Nations have dishevelled themselves and ripped their clothing in order to appear ill-used ; one batch went to the length of squeezing the toothpaste out of the tubes their captors had given them. Unfortunately these naive tactics are not all. Several prisoners returning from North Korea report that many of their comrades, who are not yet being handed over, are far more seriously ill or wounded. If it is true, as this would suggest, that the Communists have deliberately held back the men who are in the worst shape in order to present a false picture of the general condition of their prisoners, it can only be described as one of the most revolting deceptions ever practised ; and it is earnestly to be hoped that fuller information will reveal that this is not so.

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Mildness for May Day

THE May Day slogans broadcast each year by Moscow Radio are the texts for Communist sermons everywhere until further notice. They therefore reflect faithfully the prevailing orthodoxy. The list broadcast for this year's celebrations shows a clear shift of emphasis from the slogans of Stalin's day: the stress is now on peace and on the posibility of settling all issues "by peaceful means on the basis of mutual understanding." Slogans about "imperialism" and its "criminal schemings" have been dropped, even in reference to Germany. A newcomer among slogans for home use, but characteristic of the Kremlin's present mood, is the greeting to the Soviet constitution "which guarantees the rights of all the citizens."

There are other significant departures from precedent: for example there is, unlike last year, not a single hostile reference to Jugoslavia; on the contrary there is a good old-fashioned exhortation "to raise higher the banner of proletarian internationalism." The Communist party, which used to be called the "party of Lenin led by Stalin," is now called—naturally enough—"the party of Lenin and Stalin led by the Central Committee." Yet the Communist Youth (Komsomol) which was normally called "Leninist-Stalinist" is now referred to with the single adjective "Leninist." Such omissions and changes are seldom in Russia due to mere negligence ; they suggest that Malenkov should still be regarded as one of three.

The Ration Prospect

STORIES that have appeared in some of the papers about a Cabinet plan to make further cuts in the food subsidies are mere guesswork. But while there is no basis for talking about a definite "plan," it does seem quite likely that the cost of the food subsidies in 1953-54 will work out at less than the £220 million estimated by Mr Butler. The rate at the end of the financial year (as opposed to actual expenditure over the year) was already less than the £250 million at which he aimed in last year's Budget. The derationing of eggs, feedingstuffs and flour will in themselves reduce the expenditure to about £220 million.

This does not mean, of course, that there will be no more changes. There will certainly have to be some juggling, even within a total of £220 million. Some subsidies may be reduced or removed so that the retail price of others may not rise. It may, for example, be thought desirable that prices of welfare foods and of milk in schools should not rise, but as the Ministry will be paying higher prices for milk that would mean a higher subsidy. On the other side of the account, the only subsidy whose abolition is promised is the sugar subsidy, which is to go when sugar comes off the ration towards the end of the year. It is not usually considered safe to deration a food until the public's purchases fall below 90 per cent of the ration. For sugar, the whole ration is at present being bought. But the Cuban deal will increase supplies by about 30 per cent over the next twelve months or so, and larger supplies are expected from the Commonwealth.

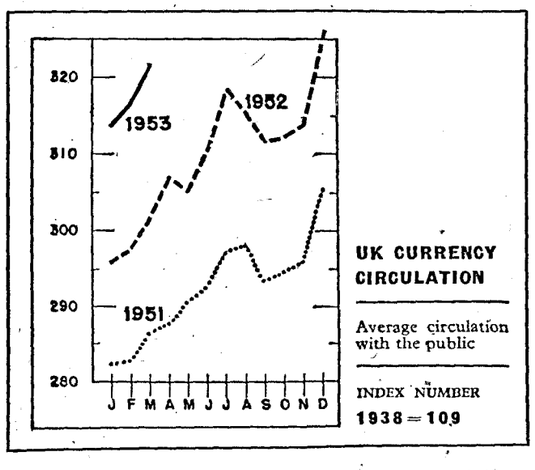
On the evidence of demand in relation to present supplies, the foods nearest to freedom would be bacon and cooking fat ; only 90 per cent of the total ration is being taken up in the shops. The danger with cooking fat—as with margarine—is that if it were freed too much might be bought up by the manufacturers, who are getting only 50 to 60 per cent of the sugar and fats that they had before the war. To free margarine without butter would cause trouble with Commonwealth butter producers ; and to free bacon might cause trouble with British farmers. Bacon gets a subsidy of 5d. a lb and its removal might cause a drop in demand which, since the public shows a preference for Danish bacon, would be at the British farmer's expense. The Government is, however, showing a commendable determination in its food policy, and it will be surprising if some at least of the remaining bulls are not taken by the horns in the course of the year.

The Claims of the Services

DEFENCE policy was debated for two days in the House of Lords last week, but relatively little was said about the general level of rearmament and defence expenditure. The debate circled instead about the problem of priorities. Their lordships were critical of the shape of the country's defence effort, but less along lines of party loyalties than of loyalties to the particular services in which many of the speakers had served. Some, like Viscount Trenchard and Lord Tedder, laid most stress on the slow rate at which the Royal Air Force is getting adequate numbers of jet aircraft. Others, like Lord Strabolgi, voiced their anxiety at the way the Navy seems to be coming a bad third for finance and supplies ; they drew a distressing picture of British weakness at sea, with the strength measured by numbers of ships obsolete in reserve. Others again emphasised the way in which the Army's resources are stretched tight as a drum across the world ; if the commitments laid on Britain by its position as a world power or by voluntary undertaking are to be discharged, it is almost impossible to achieve reductions in Army manpower, l length of service, or in the quantity of supplies locked u in the pipeline, even when the defence effort as a whol is scaled down.

Such a debate—conducted with much technical knowledge—cannot be decisive. A country that has traditionally won its wars at sea, and which now must as decisively ward off the attack in the air, in fact finds its Navy reduced i strength to eleven cruisers and its air force still awaiting the promised aircraft of superior performance. This is nc less alarming because it occurs when Britain is co-operating in Western defence as a major land power. But it cannc be helped. Western defence as a whole depends on co-operation, and to reduce Britain's contribution, which othe powers think of so largely in terms of land formations would merely be to risk the whole structure over which in fact, the Americans hold an air umbrella and whose sea lanes the American Navy guards.

A few particular criticisms may be well founded, but or the whole the arguments of the Lords from the three services cancelled out. Within the present total of defence expenditure, the priorities fixed by the Government are about right. They represent compromise decisions determined, with little real margin for choice, by the facts of existing commitments. If the flow of new weapons were to be increased, research expanded or accelerated, more ships completed or commissioned—then more would have to be spent, and income tax reliefs must not be given. This is the hard choice. But as things are, at least it is true to say, as Lord Winster pointed out, that only three nations seem able to undertake the cost of modern war, and of these Britain, in terms of current expenditure and effort, is one. This is no cause for complacency, but it is a fact that might be more widely known through the world.



Who Guides the Missiles?

So meagre is the information provided by Whitehall on air defence that useful public discussion of the subject is limited and sporadic. A scientific and strategic revolution of the utmost importance therefore goes on without any impetus that criticism or approval might give it. From the morsel of revelation that Lord Alexander let fall last week in the House of Lords it appears, for example, that research and experiment with guided missiles have gone far ahead of arrangements for their use. Only within the last few weeks has the decision been taken—no doubt bitterly contested between War Office and Air Ministry—that the manning and operation of these new factors in air defence should be the responsibility of the Royal Air Force ; and it still remains to be settled how Fighter Command (under the Air Ministry), Anti-Aircraft Command (under the War Office), and the static defence of ports (under the Admiralty) will work together. What degree of skill, physical fitness and education is needed to guide ground-to-air missiles Lord Alexander did not say. Is it a job for Territorials or for the Home Guard, for men or for women, for regional or more local organisations ? The public does not know. But the Minister of Defence did insist that anti-aircraft regiments would be necessary "for

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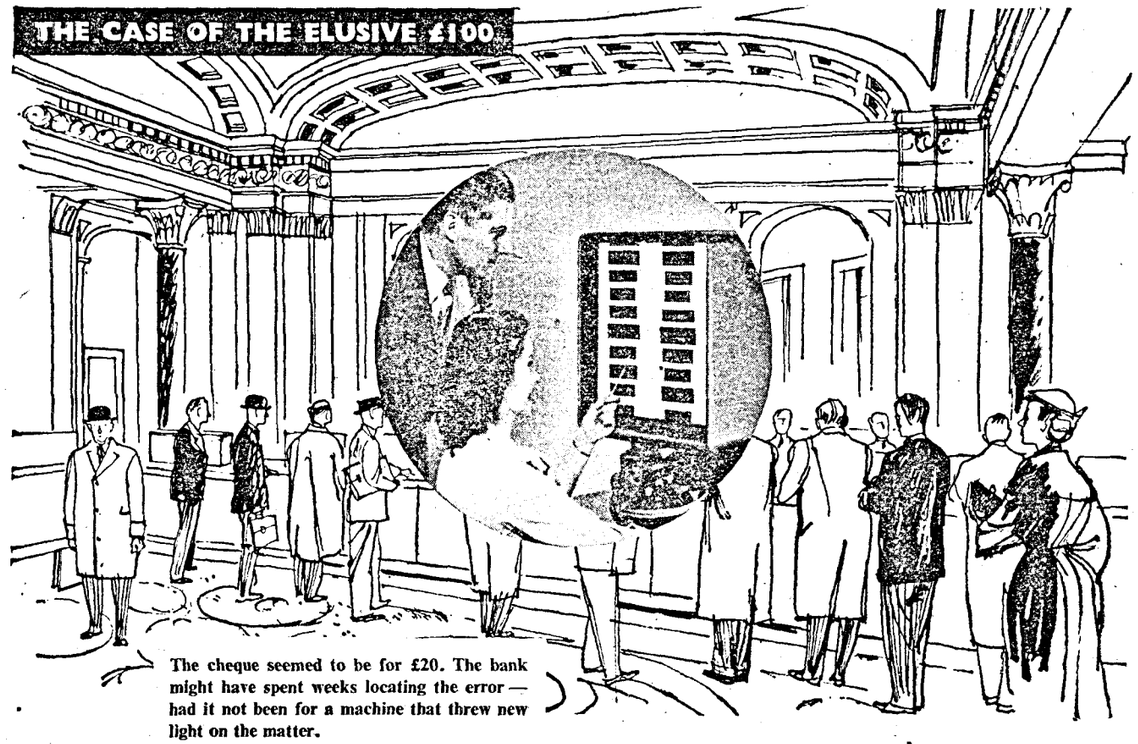
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many years to come." So missile defence looks like making, at first, an additional demand on manpower.

It would be reassuring to know that somewhere there exists a nucleus of technicians (specialists in artillery as well as in air warfare) which could expand as required into its defence role, without having to fight every inch of the way against administrative and inter-departmental difficulties. It is hard to believe that this is a job for Territorials, strained as they are now; on the other hand, it is hard to believe that it is a job exclusively for airmen, concerned though they are with the guided missile (air-to-air) used by the fighter aircraft. Some blending seems necessary. Perhaps Mr Churchill could find time to devise something that will satisfy the three services and the scientists.

A Vote Against Vereeniging

THE extent of Dr Malan's electoral victory has surprised the Nationalists just as it has surprised the United Party. The new majority of 29 seats (when Labour wins the by-election for the safe seat of Johannesburg City) will represent a gain of 16 on the margin in the old parliament. This has been achieved, however, on a minority vote, just as was the Nationalist victory of 1948. Only 45 per cent of the electorate has voted for Dr Malan even now; indeed, the majority of votes against him is even greater this time than last, 130,000 instead of 100,000. The Nationalists' success has three technical reasons: their alteration of constituency boundaries during the last parliament to suit themselves; constituencies in the country districts smaller than in the towns; the fact that young people—mostly Afrikaans-speaking Nationalists—are put on the voters' role as they grow up, while immigrants (usually anti-Nationalists) have to wait a long time.

Nothing can conceal the failure of the United Party to win new ground; it effectively summoned all its supporters to the poll, but it made no impression whatever on the unconverted. This is the main lesson of the whole campaign. It was not just Dr Malan's "white civilisation" argument that carried the day; Mr Strauss preached it in only a slightly different form. Both dwelt on the crisis facing the white man in Africa. What prevented any conversion of Nationalist voters was the Nationalist creed of a *Boerenasie* (Boer nation). Mr Strauss failed because he stood for "South Africanism."

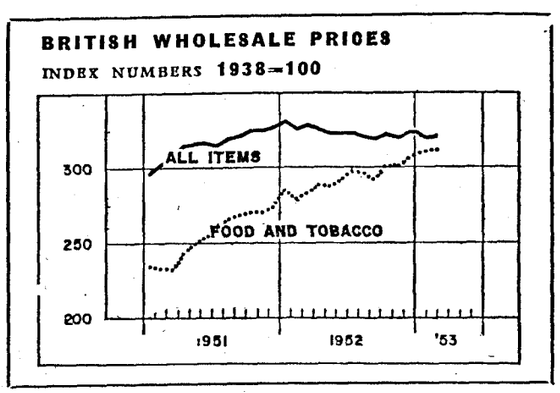
It is fifty years since the Boer war and forty since General Hertzog resurrected a public appeal to Boer nationalism in 1912. The present election has confirmed what many have feared for a long time. Although the magnanimous Peace of Vereeniging gave South Africa half a century of close association with the ideals of the Commonwealth, its dominant minority will never accept them. Few can now doubt that the new Nationalist administration will mark a turning back on the road of Commonwealth partnership. Does this mean a republic? Perhaps; but if the ways of the English-speaking world are to be finally rejected, the British, too, must act. They must see that their relations with the rest of the continent in the crucial decade ahead are not prejudiced by African suspicion that they sympathise with the ruling South African attitude to racial problems.

Purging Through Georgia

A SEQUEL to the Kremlin's *volte-face* over the doctors' plot took place in Stalin's native Georgia last week when there was a radical reshuffle among the top personalities of both party and state. The Georgian dignitaries who, like the Jewish doctors, had been dismissed or arrested during the vigilance campaign preceding Stalin's death now stand vindicated. Once again it is admitted that the accusations of "bourgeois nationalism" were fabricated by the security police. As the toll of the vigilance campaign among Georgia's leaders had been heavy, the reversal of policy led to an almost revolutionary reorganisation of the hierarchy. Not only the Minister of State Security, Rukhadze, but also his protector—the first secretary of the party, Mgeladze—is now accused of criminal activity. Thus in the space of a few days Georgia was furnished with a new party secretariat and bureau, including some of the "culprits," a new president and a new head of a reorganised government.

Georgia had already gone through one "antinationalist" purge in 1951 and another exactly a year ago; yet the campaign did not get really under way until the second half of 1952, on the eve of the All-Union Congress (see *The Economist* of September 27th). Stalin, always interested in the affairs of his Corsica, could not be unaware of the struggle and of the issues involved. Indeed, the Mgeladze who is now in disgrace was prominent at the October Congress, and he referred specifically in his speech to deviations and to the cure effected with Stalin's personal intervention. Yet even in Stalin's homeland his policies and men are now being pushed aside, as in the rest of the Union.

The same interpretation might be applied to Beria, Stalin's fellow-Georgian and Malenkov's partner in the triumvirate, who seems to have been personally in charge of the purge last April. Yet there are indications that Beria was acting on Stalin's orders and that some of the later appointments, including that to the Ministry of Security, went against his choice. However, the new Minister of Security, Dekanozov, is an old collaborator of Beria's from the time when he was in charge of security in the Caucasus, and held for some time the post of vice-Minister of Foreign Affairs. The appointment to a provincial ministry of such an important person may be read as a symptom of the struggle going on between the "reformists" in the present



Soviet leadership and their more rigid opponents, who seemed to have the upper hand on the eve of Stalin's death. With the shadow of Bonapartism hanging over them Malenkov and his fellow "reformists" cannot afford to indulge in personal rivalry.

Atlantic Amateurs

THE ministers of foreign affairs, finance and defence who are meeting in the Atlantic Council this week-end cannot ignore the open letter addressed to them by over 150 prominent persons from the United States, Canada, France and Britain. Both in the North Atlantic Treaty and in many passages of ministerial rhetoric is to be found justification of their proposal that Nato should take more responsibility for the economic problems of its members. They ask, indeed, for a joint declaration by the Council that it will propose immediate steps to expand and liberate trade "so that the Atlantic nations may eventually become one financial and trading community." They also want Nato to absorb the functions of international economic agencies (presumably bodies like the OEEC) wherever this could improve efficiency and relations between governments.

The purpose of all this is simply stated: more co-operation between member governments in order to produce better defence at less cost, and higher standards of living. This admirable objective should stand whatever future Russian action or intentions may be. But there are two comments to make. Those who want the Atlantic Community to develop powerful institutions within Nato must recognise—and above all study—the solid difficulties in the way. No government or legislature has so far shown signs of wishing to have national sovereignty modified one jot, least of all the United States. Until more has been done to illuminate the obstacles, discussion will be inconclusive and woolly, eventually discrediting by its futility the cause it has at heart. To create a real Atlantic Community is to bring about a revolution, and here there is a lesson to be learnt from the Communists. They do not propose revolutions, they organise them in detail.

The letter, unfortunately, also proposes setting up a North Atlantic Consultative Assembly. Such a body, unlike the Council of Europe, would come after instead of before the creation and growth of efficient functional bodies and might therefore serve some practical purposes. But it could also tax unduly the time and energy of the small permanent staff in Paris who are in a position to create an international tradition in Nato. If there is to be an Atlantic debating chamber let it start by being unofficial and let it first test the capacity of its enthusiasts for hard work.

Ireland Awaits More Taxes

FOR the first time in many years Irish taxpayers read of the British Budget with envy rather than sympathy. Comparison of receipts in the last financial year with the estimates shows that Mr MacEntee, unlike Mr Butler, will be obliged to find further revenue when he opens his Budget in the first week of May. And that, our correspondent in Dublin points out, will not be all; legislation now contemplated will involve further outlays. Not the least depressing aspect of the situation is that public expenditure appears to have slipped free of all control. It is difficult to see how revenue can be expanded proportionately to the needs of the state unless Mr MacEntee is prepared to raise income tax to within one shilling of the British rate—which would be a narrower differential than has existed for almost a decade and a half. Mr de Valera has lately agreed that the limits of taxation have been approached, but as yet he does not appear to have made the corresponding calculations about expenditure.

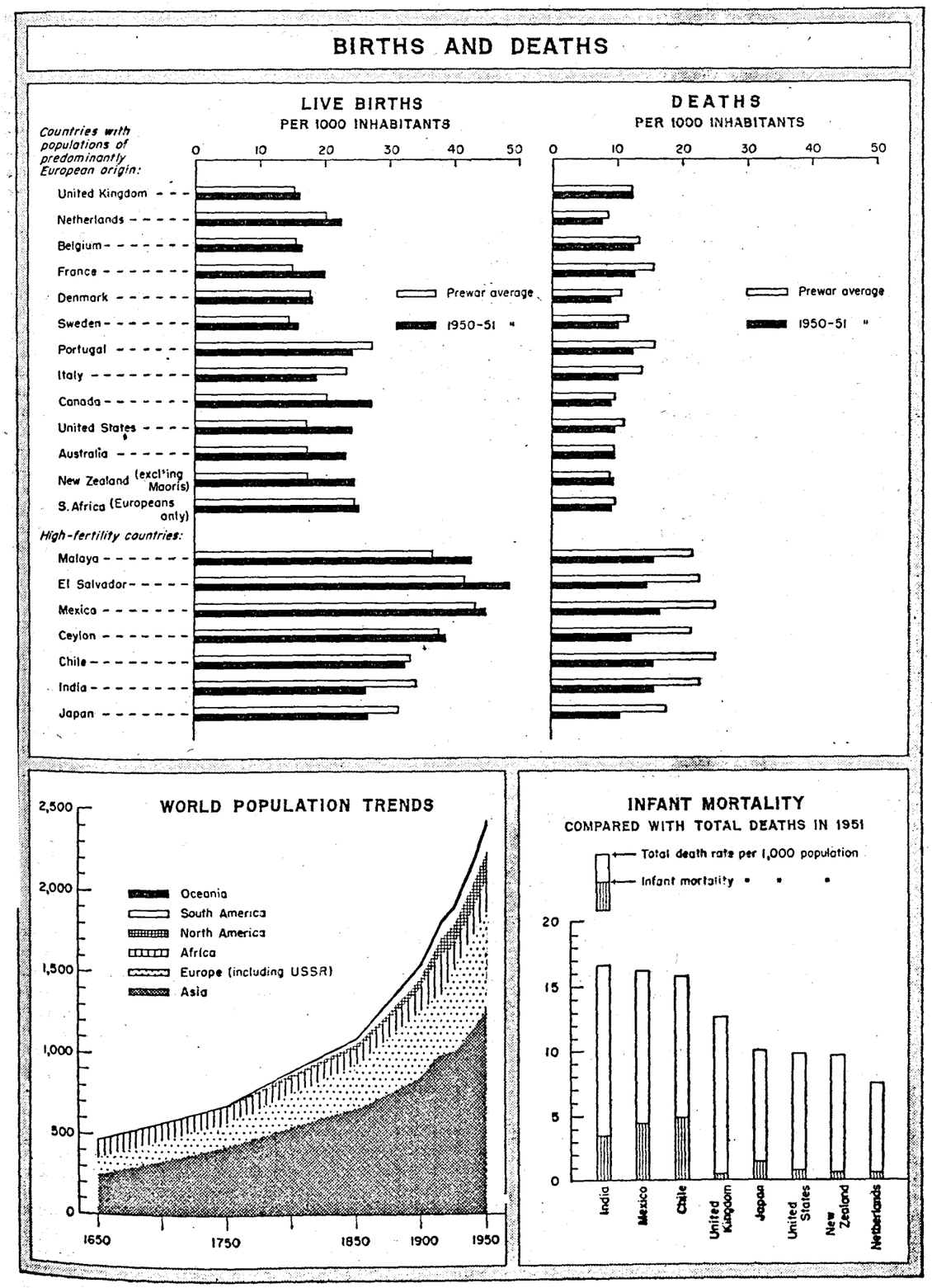
The immediate difficulty in Irish public finance is the commonplace embarrassment that results from trying to live beyond one's means. The momentum of politics favours increased capital and current outlay. The policy of high state investment is still accepted by both sides in the *Dail*. It is true that there is much necessary investment that has to be done by the state if it is to be done at all, but the difficulty of financing the programme is steadily increasing now that the economy is subject to dearer money and higher taxation. At the same time, recent and contemplated policies of social welfare are increasing the number and the weight of charges on the budget. Mr Butler's decision to leave the public with more money in its pocket did not go unremarked, but it is hard to see how his example can be followed in Ireland.

The difficulty will be the greater because present conditions do not favour any quick expansion of production. The economy is strained not only by high state spending but also by the continuous augmentation of an already high tariff, which drives up prices and wages. Although exports have expanded in recent months, there are now dangerous signs that Ireland will be priced out of export markets. Mr MacEntee's problem, which indeed will have to be faced sooner or later by the Opposition also, goes deeper than the budgetary provisions that must be made next month.

The Sovereign Union

MR HARRY BONSOR has won his legal action against the Musicians' Union. His expulsion from the union in 1949 has been declared null and void, and it has been restrained by an injunction from acting on that expulsion. Mr Bonsor has thus had restored to him his right to earn his living by his own lifelong profession and been rescued from the necessity, inflicted by the union's interpretation of its rules, of subsisting by casual labour such as chipping rust off seaside piers.

To anyone but a convinced syndicalist this is a satisfactory upshot; but satisfaction is tempered by consideration of the grounds on which the judgment rested. A union's right to pass an economic death sentence on any member for any reason whatever was not questioned—provided its rules could be shown to cover the particular set of circumstances concerned. Mr Bonsor's expulsion was invalid because of a technicality of procedure; had the proper procedure, under the union's rules, been duly



followed, he could have remained, for all that the law could do to help him, a casual labourer for life. No doubt it is something that correct procedures must be followed ; they can give some safeguard against personal spite and tyranny. But they can also be framed so as to give no safeguard at all. There is nothing to prevent a union from drafting or changing its rules in such a way, and from electing such a hierarchy to administer them, as would quite legally subject its members to the most arbitrary and all-pervading tyranny ; nothing, that is, except the unreliable libertarian sentiments and vigilance of the rank and file majority. Where, as in this instance, the union has succeeded in imposing a closed shop, not only the individual's benefits of membership but his entire livelihood may depend on the wording of a rule or the state of an official's liver ; and nothing in Mr Justice Upjohn's judgment alters this fundamental evil.

The closed shop is bad enough in itself, bestowing as it does, on any union strong enough to impose it, the power of economic life and death. That this should be exercised within a privately erected constitutional framework of which the law takes no cognisance is a further anomaly. Sooner or later, the unions may have to choose between a limitation of this power and limitation on their internal autonomy. They would be wise to choose the former.

Worried East Germans

THE letter addressed by the presidium of the "People's Chamber" of Eastern Germany to the Speaker of the House of Commons is a preposterous performance: a body that has no valid claim to represent the people of Soviet Germany appeals over the heads of the Government to the House of Commons through the Speaker. The men who drafted this document only recently called on the West Germans—not for the first time—to overthrow Dr Adenauer and his Cabinet by force. They are beyond the parliamentary pale and should not be taken seriously at Westminster.

Their gesture is as sinister as it is clumsy, for it reveals the credulity and ignorance of these politicians beyond the Elbe as nothing else could. Dr Adenauer, they say, is encouraging separatism in Alsace-Lorraine and has claimed colonies ; the offices of the Bonn Government "have become the playground of sworn enemies of peace and democracy." There is no hint of conciliation or reasonableness. When they say that a conference of the four powers on German unity would lead to "democratisation of its institutions" they mean that the whole of Germany would then be open to the treatment that only the East has so far experienced

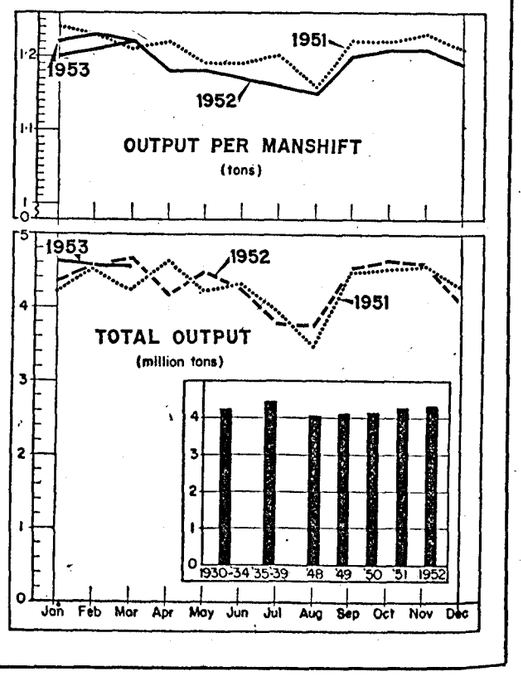
The Communist tools in the People's Chamber may, of course, be in deeply troubled mood. If Malenkov and his colleagues wished for a four-power settlement in Germany, big concessions would have to be made in the Soviet Zone by the Communists. The appointment this week of Professor Yudin as political adviser to General Chuikov in the Soviet control commission may point towards a review of policy, for he is a member of the central committee of the Soviet Communist Party and former editor of the Cominform Journal. He is a Malenkov man and has the necessary repute as a theoretician to get the German Communists out of the appalling dilemmas in which a policy of appeasement by Moscow would place them. The direct evidence of such an intention remains of the slightest ; indeed, the persecution of Christians and liberal-minded people in the Soviet Zone has become worse in recent weeks. But something is certainly brewing on the Russian side.

Pakistan's Crisis

TO most people the sacking of Kwaja Nazimuddin at the end of last week came as something of a shock. In no other Commonwealth country could the head of the state dismiss the prime minister without any reference to the legislature. Yet it may be argued that this action by the Governor-General, Mr Ghulam Mohammed, was as legal as it was courageous. Pakistan has no proper constitution ; its administration is based on the last Government of India Act before the British handover of power. This, indeed, is one of the factors for which blame must be laid at Mr Nazimuddin's door. It is high time that the constitutional issue was settled ; national elections were held throughout Pakistan ; and a serious attempt made to give the government roots among the people.

COAL PRODUCTION in GREAT BRITAIN

WEEKLY AVERAGES



The wisdom of the Governor-General's bold move may be judged by the calm with which it has been accepted by the country. The indecisiveness of the administration had come to endanger the security of the 70 million people in this strategically placed Moslem state. The hold on power of the little group of skilled and intelligent men who fought for and built Pakistan has looked increasingly tenuous unless they could establish a progressive state, at once economically viable and politically stable. In both respects, Pakistan has lately been losing ground fast. During the past eighteen months it has gone from a food surplus to the real threat of widespread famine, and from a sense of unity and political purpose to a series of plots against the government ; even now the outside world has heard virtually nothing of the recent severe crisis in the Punjab. Religious intolerance and reaction have increased. Above all, an insidious if sometimes indirect censorship has begun to impose itself on vital liberties such as freedom of speech and press. The full facts about recent events have even been prevented from reaching the outside world.

If the youthful new prime minister, Mr Mohammed Ali, has an unpleasant mess to clear up at home, the outlook is also difficult abroad. The proposed talks with Mr Nehru should certainly take place even if they have to be postponed for a few weeks ; and Pakistan's relations with the Commonwealth, the United States and the Middle East all demand clarification. Fortunately, Sir Zafrullah Khan continues as Foreign Minister and Mr Mohammed Ali has himself just come back from being ambassador in Washington. But the new government will have to act fast if it is to avert famine and restore Pakistan's position as a factor of stability in southern Asia.

Japanese Election Results

THE general election in Japan has had an interesting outcome which appears to reflect not only trends in internal politics, but also recent events in the international field. The developments which led to the fall of Mr Yoshida's government indicated a political offensive from the Right ; for Mr Hatoyama, who broke away from Mr Yoshida's Liberal Party with a group of followers, adopted a programme distinctly to the right of the Prime Minister, while the Progressive party, led by Mr Shigemitsu, stood for a more substantial scale of rearmament and a revision of the postwar "MacArthur Constitution." The issues were, however, defined while the cold war was still icy and there was a widespread feeling in favour of restoring Japan's armed strength and something like the old state authority as conditions of survival in a harsh and dangerous world. But the scattering of springtime blossoms of good will from Moscow during the past weeks has created fresh doubts about the need to devote any part of Japan's overstrained budget to the building of new armed forces. Thus the Socialists, as the opponents of rearmament, have gained the advantage from the new climate of popular sentiment. A move to the Left might, perhaps, have occurred in any case on issues of purely domestic concern, but the great prominence of the rearmament question in recent political controversy indicates that it has been the main factor on which the election has turned.

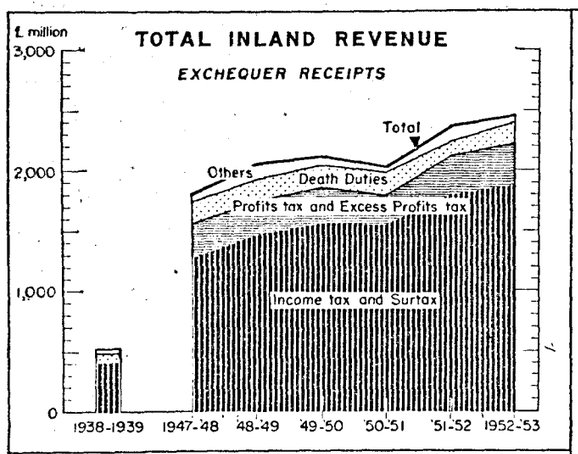
In the last Diet the united Liberal Party had 245 seats out of a total of 466, assuring Mr Yoshida an absolute majority. Now the Yoshida Liberals have 199 and the Hatoyama Liberals 35 seats, which means that the two Liberal factions together have lost 11 seats. The Progressives have gone down from 88 to 76, losing 12 seats. The Right Socialists, on the other hand, have gone up from 60 to 66, and the Left Socialists from 56 to 72. Only one Communist has been elected, but the Left Socialists have a strong Communist tinge, and may be regarded as a "Nenni party" in Japanese politics. If Mr Yoshida now tries to form another Cabinet, he must look for a coalition with either the Progressives or the Right Socialists ; each of these parties could provide him with a working majority in the new Diet. Neither combination, however, is likely to be very stable, and Japan seems to be entering on a period of political stress.

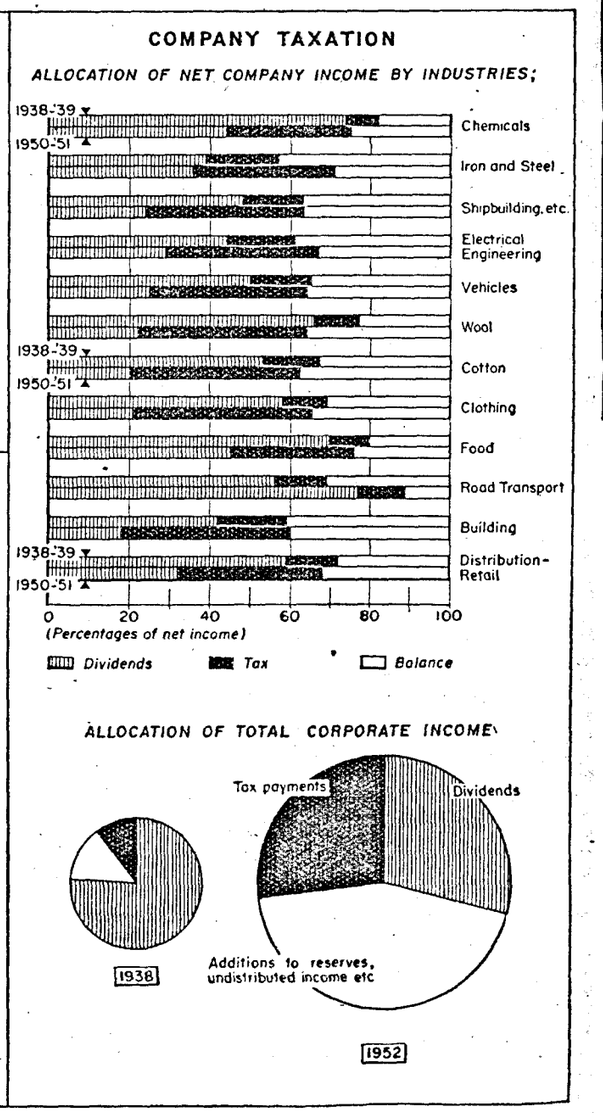
The Good Old Days

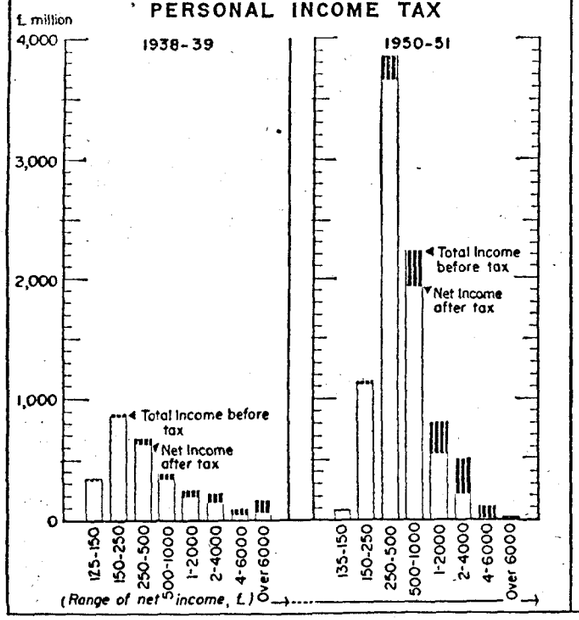
The glorious old days of Parliamentary Government and Parliamentary tactics are over—the days of Walpole and Chatham, and Pitt, when the House of Commons consisted of two armies ranged in battle array against each other, subjected to military discipline and acting according to an almost military code of honour ; when absence from parade or division required leave asked and obtained ; when the slightest insubordination met with prompt rebuke and severe punishment ; and when desertion, whether temporary or entire, was visited with ignominy as certain and penalties almost as serious, as if it had been committed by an actual soldier on the field of battle and in the face of the enemy. In those halycon days, not only was there no third or fourth party to embarrass action and set calculation at defiance, but "independent members" were animals almost as rare as the sea serpent and as mythical as the unicorn ; and, when they now and then appeared, were coolly put aside and left out of the estimate altogether as, according to the definition of one of the Premiers whom they plagued, "members on whom no dependence could be placed." Now, all this is changed. Even before the Reform Bill a new party, neither Whig nor Tory, had been formed ; and after that measure they increased greatly in numerical strength, in influence, and in organisation ; while, in addition, a number of really "independent members" have found their way into the House—politicians "unattached"—men who work, as the phrase is, "On their own hook"—owning no allegiance, bound by no engagements, acting on no system. . . . It is obvious that the real strain and trial of the British constitution, which has been staved off for generations, has come now. Those old traditions, those conventional rules, those ingrained habits of political action, which have so long masked the theoretical defects and unworkable contradictions in a Representative Government like ours, are no longer applicable, and can no longer be observed . . . a startling fact which fills us with gloomy forebodings for the future, not so much of this Ministry as of Parliamentary Government altogether.

The Economist

April 23, 1853







TOTAL INLAND REVENUE DUTIES

EXCHEQUER RECEIPTS: £ MILLION

	1938-39	1949-50	1950-51	1951-52	1952-53
Income tax	335·9	1,438·4	1,404·4	1,668·7	1,736·2
Surtax	62·5	114·7	121·1	129·6	131·2
Profits tax (national defence contribution)	21·9	260·8	258·4	315·4	376·1
Excess profits tax	...	36·2	9·4		
Death duties	77·4	189·6	185·3	183·0	151·9
Stamp duties	21·0	51·5	54·5	61·9	50·3
Other	1·6	20·2	5·3	3·3	4·9
Total Inland Revenue Duties	**520·3**	**2,111·4**	**2,038·4**	**2,361·9**	**2,450·6**

DISTRIBUTION OF PERSONAL INCOME

Range of net income after tax	No. of incomes		Average tax paid (£)	
	1938-39	1950-51	1938-39	1950-51
135—150*	2,508,000	652,000	0·2	0·2
150—250	4,630,000	5,668,000	0·9	5·4
250—500	1,940,000	10,320,000	13	18·1
500—1,000	507,000	3,045,000	95	95
1,000—2,000	142,200	419,740	324	569
2,000—4,000	54,640	89,880	1,072	2,876
4,000—6,000	11,600	5,320	3,138	17,162
Over 6,000	6,560	60	13,399	156,667
All incomes assessed to tax	**9,800,000**	**20,200,000**	**31**	**55**

* For 1938-39 figures relate to the range £125—£150.

Letters to the Editor

The Building Industry

SIR—I have read your articles with interest and I see from your current issue that Mr Richard Shepherd has taken you to task from the architect's point of view. May I be allowed to deal with the three points he has selected from your second article.

1. "The rigidity of specification and nomination of sub-contractors by architects has deprived the builder of his ability to make do and substitute." The view expressed in your article is correct. Rigidity of specification starts in the architect's or surveyor's office. In these cases we see sub-contractors nominated right down to the supply of locks and bolts to be fitted to doors. When the builder asks for delivery he finds it is not forthcoming—usually because the concentration of one pattern has exhausted the manufacturer's stock. When planners held less sway than they do today the practice was to leave the builder to obtain his own supplies, after submitting samples to the architect for his approval. Let me quote another example; the architect included a prime cost sum of facing bricks of sound quality, but he instructed the builder to buy second facings from a nominated supplier. The result was that the seconds, for which there is no merchantable quality, arrived with numerous fire cracks which led to excessive wastage of material and increased labour costs; this wastage and loss the architect expected the builder or the brick-maker, or both, to bear.

2. "Expensive methods have sometimes been forced on the builder, with attendant delays." This statement is also quite true. The point you make frequently occurs where the architect possesses no knowledge of specialist's work. He relies upon the specialist not only for the design, but for the detailed drawings and the work is included as a prime cost item in the specification based on whatever sum the specialist decides to quote. Sometimes a large part of a building contract consists of such items which have not been the subject of competitive tendering. The specialist knows that neither the architect nor the builder can go elsewhere for his product and both have to await his convenience; this means delay for which the builder suffers financially. The architect grants an extension of time and makes a suitable explanation to the building owner.

3. "They are certainly responsible for long delays in completion of contract documents." The legal department of a local authority cannot complete contract documents without the technical details, which must come from the architect. Often many changes are made between the tendering and the contract stage; this causes delays and often needless trouble for the builder for which he obtains no reimbursement. There are still many architects who are not prepared to supply the builder with a counterpart of the contract signed by the employer, which, incidentally, is the builder's legal entitlement. If either the employer or the builder wishes to inspect the contract document he must attend at the architect's office by appointment. Architects generally need to be reminded that a building contract represents a mutual bargain and is not a master and servant agreement.

One final point; a builder can be held responsible for an architect's faulty design. Builders need to protect themselves by drawing the architect's attention, in writing, to faulty constructional planning and they should refuse to proceed with the work until the architect has undertaken, in writing, to accept full responsibility for any faulty planning. This is a matter the architects themselves should put right; it is unjust that the builder should be held legally responsible for other than his own failures.—Yours faithfully,

W. KEITH MARTIN

Eastbourne, Sussex

★

SIR—Your articles on the building industry reached the conclusion that "building performance is perfectly capable of rapid improvement, both by the return to competition and the use of proved technological advances."

The progressive introduction of technological advances is unfortunately hindered at present by a ruling of the Royal Institute of British Architects which prohibits the use of their letters designate to any member who becomes a director in a contracting firm. There is thus a psychological barrier preventing qualified architects from moving into the contracting field. In the civil engineering industry, by contrast, contractors have for long been recruiting qualified civil engineers to their staffs, and many of these men have now reached directorial positions, and are thus able to introduce and experiment with mechanised equipment and new techniques. Furthermore, in the Institution of Civil Engineers, these civil engineering directors mingle freely as equals with their opposite numbers from the consulting engineers' offices for the exchange of learned information. The result is that both design and construction reap valuable benefits. It would therefore seem that the Royal Institute of British Architects could make a most helpful contribution towards the improvement of technical standards in the building industry by encouraging, instead of discouraging, any of their members, who so wish, to make their careers on the contracting side instead of on the designing side.—Yours faithfully,

London, W.9 J. H. W. TURNER

Australia

SIR—As an Australian, may I comment on Mr J. F. Cairns's expression of the Australian point of view? Firstly, it is not *laisser faire* which has produced a lop-sided Australian "milk-bar" economy; actually this largely results from opposite causes, including government wage and tariff policy which has made sheltered industries more profitable. As the most important primary products sell at or around world parity prices, the high cost of labour and of most machinery has made this form of production, except in recent years, relatively unprofitable and private investment has been channelled into sheltered consumer projects where returns have been greater. In the rural branch of primary industries, production was maintained and increased during the thirties mainly because of the prevalence of the family farming system; in this period with lower average returns farmers attempted to maintain total returns with increased production. In the last few years, although average returns have been high, output on established farms has tended to diminish for the same reasons, aided by the city forty-hour week, the high cost of hired labour and capital, and steeply progressive taxation. In contrast, the mining industries, which employ practically no family labour, showed an output decline in the thirties (except gold output, which increased due to devaluation and increased private prospecting). Even today, largely due to union control of labour entry and capital input expansion, total mining output is below 1913 levels. If there were a partial return to *laisser faire* many of the anomalies within the Australian economy would disappear—after a difficult transitional period.

It is apparent that Mr Cairns misunderstands the concept of the sterling area. Although he is correct in stating that Australia will earn more sterling through increased exports of primary products, Britain would then purchase proportionately less from dollar areas, and with the resulting larger dollar reserves Australia should be able to make greater capital imports from those areas. In fact, if Australia had a greater export surplus it is likely, even with existing United States tariffs, that many primary products—for example, meat—would find a ready sale in the United States.—Yours faithfully,

IAN SHANNON

Corpus Christi College, Oxford

★

SIR—Mr Colin Clark's letter in your issue of March 21st states:—"There are, in fact, very large areas where additional sugar cane could be grown, but Queensland State legislation prevents this.... Queensland farmers are forbidden to produce additional supplies of the commodity which Britain and other

sterling area countries have to import for dollars."

These passages would suggest to your readers that the acreage under sugar cane in Queensland has been kept stationary, under legislative enactment, at a time of high overseas demand for sterling sugar.

In fact, the Queensland sugar industry (which produces over 95 per cent of Australia's sugar output) is in the final stages of a major expansion of acreage cultivated. This expansion began in 1947 and has been progressively accelerated, particularly after an export target and quota of 600,000 tons of sugar per annum was agreed upon with the UK Government in December, 1949. Acreage has been increased by 37 per cent since 1946.

Under long-standing legislation the Central Sugar Cane Prices Board has the duty of assigning to each sugar mill the lands from which the mill is obliged to accept the crop of sugar cane for crushing. Sugar cane can be grown for the purpose of sugar manufacture only on such "assigned areas." The Board has full authority to add to the "assigned areas," as required to meet the demand for sugar in Australia or overseas, and has exercised this power very extensively in recent years.—Yours faithfully,

Brisbane E. T. S. PEARCE

Investing in the Commonwealth

SIR—The recent announcement of some relaxation of restrictions on UK investments in North America has been warmly received in Canada. It is distressing, however, to see that neither British companies with interests already here nor prospective newcomers seem to have noticed that there is a vigorous and self-conscious nationalism mingled with, and in part propelling, the Canadian expansion.

In this connection it is well to recall the fate of the huge American Viscose Corporation, which was carried off in broad sunlight by a senatorial lobby when the passage of Lend-Lease through Congress was in the balance. There would seem very little doubt but that this could have been avoided if the former owners of AVC had previously made available to the American public even a small percentage of its stock, and those concerned with the permanence of British investment in Canada might well ponder this. A timely stitch now might save ninety times nine in the bleak days ahead.

Quite apart from the enlightened self-interest of such a move, it would be an appropriate and much appreciated recognition of Canada's increasing position and prestige if UK firms investing here were to invite local financial participation. It would also serve as an example, to other countries requiring foreign capital, of the type of regenerated Western investment policy which could flourish under steady and responsible government, and was not flagrantly at odds with sensitive national feelings.—Yours faithfully, J. P. HALL

Montreal, Canada

SPRING BOOKS, 1953

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Decision for Federation

SIR—We liberal South Africans appreciate the difficulties of those who have had to advocate federation before such different audiences as the British public, the S. Rhodesian settlers and the indigenous African population. But we can also imagine how the appeal to S. Rhodesia to support federation in order to prevent the establishment of a "Gold Coast" on its northern frontier must suggest to thinking Africans that federation will delay their advance to self-government; and the argument that the alternative to federation is for S. Rhodesia to turn south suggests that the dominant settler mentality is not averse to Malanite principles.

It is not fair or reasonable that conservative and backward peoples, who came under the protection of the British Crown at their own request, should be stampeded into a new allegiance with white settlers at a time when events in South Africa have seriously impaired the good faith of settler communities in the eyes of all Africans. If Britain, the most liberal of the colonial powers, imposes federation in haste against African wishes, what answer shall we give to our own illiberal white majority which (even Dr Malan according to his lights) seeks to compel the Africans "in their own interests"? And what answer will Britain give to the next South African request for the incorporation of the High Commission Territories "in their own best economic interests" despite the opposition of their inhabitants?—Yours faithfully, C. W. M. GELL

Rustenburg, Transvaal

Patches in Britain's Purse

SIR—In your article of April 11th you say that the "simple identity between an internal surplus of savings and an external surplus on the current balance of payments is the third main lesson to be derived from the national income statistics, but it is not always an easy one to assimilate." This is an identity which you yourselves have often, and rightly, stressed, but might I suggest that you seem now to be in danger of confusing an identity with an analysis of cause and effect? This appears most clearly when you point out later in the article that the private sector "had £607 million over and to spare in 1952," and then go on to say that "if public authorities had managed to keep a tight rein on their own expenditure, Britain's balance with the outside world would have benefited by the full extent of this turn-round . . in the capital account of the private sector."

Surely this is much too simple? If public authorities had spent less they would have released resources which could have been used up in several ways. What you say would only have been true if *all* the resources so released had been used to supplement exports or dispense with imports. At a time when the volume of exports was dependent on demand as well as on resources available, one could hardly expect the balance of payments to be improved by anything like the amount you imply. Some of the released resources (assuming no more unemployment of factors of production than actually occurred) would certainly have been used at home, and might, for example, have gone into capital formation in the private sector.

The national income figures would then have shown less overspending in the public sector, a smaller surplus in the private sector, and a more favourable balance of payments. The identity you mention would still, of course, exist, but the figures would not be those which you imply.—Yours faithfully,

AUBREY SILBERSTON

St. Catherine's College, Cambridge

Economic Survey for 1953

SIR—The summary in your issue of April 4th makes the arithmetic of the terms of trade seem more impenetrable than it is. You say: "Britain's export prices rose by some 5 per cent last year, while its import prices fell by 2 per cent; on a total trade turnover of nearly £5,800 million these two price movements strengthened Britain's balance by about £330 million in 1952. . . ." Movements of this size on such a turnover could hardly produce so large a result. In fact the 5 per cent and the 2 per cent presumably refer to trade account statistics, while the £330 million refers to balance of payments figures, and therefore covers a different period.—Yours faithfully, F. G. DAVIDSON

Croydon

Losses on Export Credits

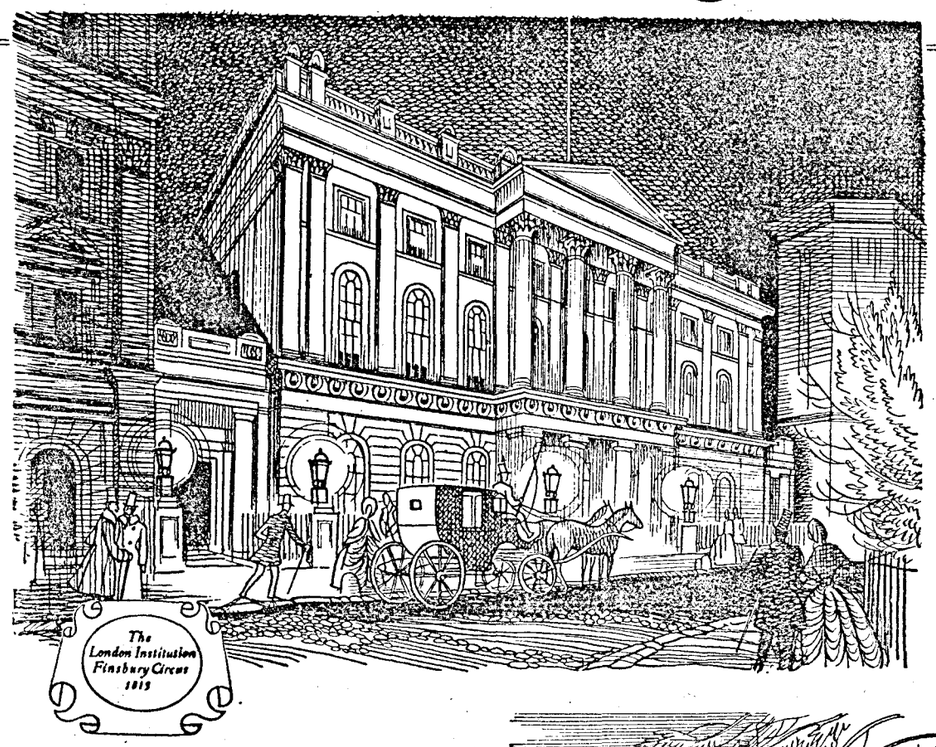
SIR—In the issue of February 7th you state that "some of the money may still come back." This pre-supposes that Brazil is going to default on her commercial debts; a supposition which those closely connected with Brazil do not for one moment believe.

In a second article, which appeared on February 28th, which has to do with the settlement of Brazil's sterling commercial debts in arrears, it is said that "there have been hints from Rio de Janeiro that the Brazilian authorities . . . will . . . try to clear commercial arrears, if they do so at all, by applying the free rate of exchange."

This is the first time that we, in Brazil, have heard that this country will try to pay off these debts in the free market. Everything said in official and semi-official circles points to the fact that Brazil will pay these accounts and will pay them at the official rate of exchange. We, here, have no doubt of this.—Yours faithfully,

Sao Paulo GILBERT A. LAST

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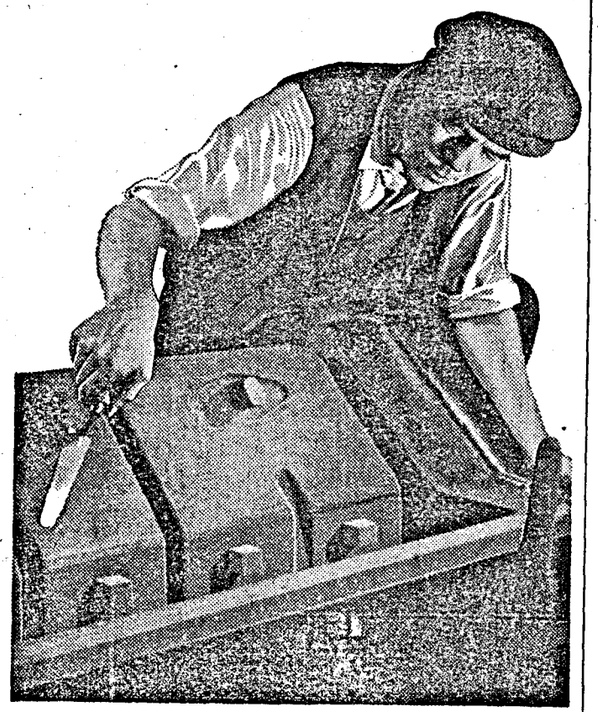
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American Survey

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Words, Not Trade

Washington, D.C.

"WE care nothing for mere rhetoric" the President said in his speech before the American Society of Newspaper Editors last week when he demanded that recent Russian gestures should be "attested by deeds." The English Electric Company probably added a fervent "Amen" as it prepared to bid again for the contract for transformers and generators for the Chief Joseph Dam, a power project being developed by the Army Engineers in the State of Washington. At the first attempt, the company's tender had been nearly $1 million below that of the nearest American firm. This case is important not only because it involves more than $5 million worth of business for a foreign industry but also because it provided the first practical test of the sincerity of the new Administration's professed belief that the United States should, as General Eisenhower put it during the campaign last autumn, "seek out opportunities to increase imports of commodities, goods and services which will improve our economy and help make our allies self-supporting." The Administration came out of the test with drooping colours.

Over the last few years those English firms which have been trying to sell electrical equipment in the United States have had some unnerving experiences but they have, until now, had the help of the federal government in their efforts to get fair treatment, and where the government itself had jurisdiction there has been no cause for complaint. Both the Bureau of Reclamation and the Department of the Army have behaved with great fairness, recognising the existence of the Buy American Act, which requires government purchasers to give preference to domestic producers, but interpreting it with reasonable flexibility. In the case of the Chief Joseph Dam, however, the Secretary of the Army, not being willing to take the decision himself, passed it up to the Secretary of Defence. Mr Charles Wilson, whose ideas on trade policy seem to differ somewhat from those of his late rival in the motor car industry, Mr Henry Ford, took the problem to a Cabinet meeting.

In spite of all the efforts of General Bedell Smith, the Under Secretary of State, and Mr Harold Stassen, the Mutual Security Director, Mr Wilson's arguments won and the English Electric Company did not get the contract. It was not given at once, however, to the lowest American bidder, as it should have been if the Buy American Act, which is now being quoted in defence of the decision, really made it impossible to award it to a foreign firm. Instead, all the tenders were rejected and everyone is to have the chance to bid again—with the American firms now knowing the figure which they must approach next time.

All this could be dismissed as but one more example of a familiar commercial patriotism if it were not that the President himself made the decision in favour of Mr Wilson and against Mr Stassen and General Bedell Smith. The *Washington Post* has suggested that Mr Eisenhower was unaware that, under the Buy American Act, he had discretionary powers and that he believed that he had no alternative. If so, it is surprising that he was not told by somebody present at the Cabinet meeting of April 3rd, or by one of his staff, that he was not merely a helpless instrument of Mr Roosevelt's first Congress.

★

Four days after that Cabinet meeting the President sent to Congress a recommendation that the Reciprocal Trade Agreements Act should be extended for one year in its present form, a form which, as the *Washington Post* pointed out, would not "open the doors for an avalanche of new imports." In the message he spoke of

> the need to develop, through co-operative action among the free nations, a strong self-supporting economic system capable of providing both the military strength to deter aggression and the rising productivity that can improve living standards,

but he postponed discussion of the measures which might make this possible until a thorough and comprehensive re-examination of the economic foreign policy of the United States has been undertaken by a group headed by Mr Lewis Douglas.

Meanwhile, Representative Simpson, of Pennsylvania, has stolen the initiative and introduced a Bill into Congress which, in the absence of anything sponsored by the White House, will be the instrument for the extension of the Reciprocal Trade Agreements Act. It is full of crippling amendments which will have to be defeated one by one if the Act is to re-emerge even in its present unsatisfactory condition. One of the chief features of Mr Simpson's Bill is that wherever the words "serious injury to the domestic industry producing like or directly competitive articles" appear in the existing Act they shall be replaced by "unemployment of or injury to American workers, miners, farmers, or producers, producing like or competitive articles, or impairment of the national security"—a splendidly comprehensive phrase. And he also proposes that when the Tariff Commission, to which the President has recently appointed a man of known high protectionist views, reports that damage is being done by imports to American workers, miners and so on, the President must

take action, instead of being permitted, as at present, to reject the commission's recommendations.

The Simpson Bill, which is, through most of its length, general in tone, includes one very specific section called "Additional Duty on Lead and Zinc," and another imposing import quotas for crude petroleum and fuel oil which would, according to the Standard Oil Company of New Jersey,

> injure fuel consumers, jeopardise military fuel supplies and run counter to our country's efforts to help friendly nations toward greater economic strength through freer trade.

The whole Bill, indeed, would, if passed, "create consternation among countries of the free world and lend credence to the Communist theme that the United States wants to sell but does not want to buy," according to the Assistant Secretary of State for Congressional Relations. But the fact that the Administration has not sponsored a Bill means that this one will have to be considered and, although all its dangerous features may be defeated, it is by no means certain that they will. Where tariffs are concerned, the House of Representatives is a collection of representatives of special interests, who, much as they may wish individually that certain measures had never been introduced, find it politically expedient to vote for them.

★

These measures will, however, continue to be presented to them as long as the President sticks to the policy that he has decided to follow. It is his belief that he should not, like his two predecessors, attempt to dragoon Congress. He sees his task as one of keeping in step with Congress and trying to influence it only by education. On the particular issue of foreign economic policy, for instance, he is aware that he is the head of a party with a historical belief in tariffs and so he is willing to accept for the moment a one-year extension of the present Trade Agreements Act, including all its drawbacks. He will wait for Mr Lewis Douglas to produce his report and hope that it will have some impact on Congress and that something can then be done. In the meantime, the risk is that the believers in high tariffs, who are in important places in the Cabinet and in the almost equally important sub-Cabinet posts, will be making policy and, at the same time, making it almost impossible for their policies, sure to be popular in Congress, to be reversed.

Shackles for Treaties

FROM A CORRESPONDENT IN NEW YORK

THE proposed Bricker amendment to the Constitution, which purports to save the country from abuses of the President's treaty-making power, draws its strength from fears about the effect of international agreements upon American rights and domestic legislation. Similar fears helped to keep the United States out of the League of Nations a generation ago. They have now been resurrected in an effort which some people believe is meant eventually to drive the United States out of the United Nations.

The treaty-making machinery of the United States is derived from John Locke, Montesquieu, and the experience of the Continental Congress, and is governed by the system

of checks and balances so carefully laid down by the founding fathers. The conduct of foreign affairs is, of course, vested in the federal government, with the President empowered to negotiate and the Senate to approve or disapprove treaties. The states are bound to respect such treaties under Article VI, which reads:

> This Constitution, and the laws of the United States which shall be made in pursuance thereof and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land; and the judges in every state shall be bound thereby, anything in the constitution or laws of any state to the contrary notwithstanding.

This system of giving treaties, once they are ratified, validity equal to that of the Constitution and federal law, and superior to that of state law, has worked for 165 years,

"We Don't Want You To Get Tied Up Abroad"



Herblock in the *Washington Post*

through intermittent changes of political party, and half a dozen foreign wars. But not until the last decade or so has it been used to ensure American co-operation with international bodies enjoying much authority. It is the creation of such bodies which is the ostensible source of Senator Bricker's fears that international agreements may over-ride domestic law, and the country find itself forced to accept decisions not made within its own borders.

The clearest example of how the treaty power might over-ride state law and alter the balance of power between the federal government and the states is the case brought by a Japanese against the Californian law which prohibits ownership of property by those barred from American citizenship. A lower court found that the law conflicted with the United Nations Charter, which had been ratified as a treaty, and hence that the law was void. But the Supreme Court of California reversed the decision on the

ground that the relevant part of the Charter was not self-enforcing, and would not go into effect until Congress passed enabling legislation. It is not only state and federal laws, however, but the Constitution itself which some alarmists profess to feel is endangered. They point to the minority opinion in the steel seizure case, which came perilously near to citing the Charter and the North Atlantic Treaty as giving the President, by implication, the power to seize the steel mills, something the majority found clearly unconstitutional. Finally, the United Nations covenants on human rights, on genocide and on press freedom mark a new departure in treaties, dealing as they do with relations between a government and its subjects rather than between two governments. Some Americans fear that, if ratified, these covenants might be used to justify the lowering of American standards of freedom, others that social reforms would be forced down American throats.

★

Senator Bricker's present remedy (a revision of an earlier measure) provides, first, that "a provision of a treaty which denies or abridges any right enumerated in this Constitution shall not be of any force or effect." No treaty which contravenes the Constitution has ever been negotiated by a President or approved by the Senate, and if it were its domestic provisions could be repealed by Act of Congress, but the Senator still feels unsafe. Section Two is fuzzier and more dangerous. It would forbid any treaty to

> authorise or permit any foreign power or any international organisation to supervise, control or adjudicate rights of citizens of the United States within the United States enumerated in this Constitution or any other matter essentially within the domestic jurisdiction of the United States.

No mixed-claims courts, no reciprocal rights such as are vital when bases are established in other countries for American defence, no international control of atomic power, no agreements such as the United Nations Charter could be entered into under these prohibitions. Even participation in the Monetary Fund, the International Court of Justice, or the International Postal Union might be endangered.

Section Three reads: "A treaty shall be effective as internal law in the United States only through the enactment of appropriate legislation by the Congress." At the present time treaties are negotiated by the executive branch and ratified by a vote of two-thirds of the Senate, a process already difficult enough. Mr Bricker would require not one Congressional vote, but three. The New York City Bar Association says: "Thus to have internal force, a treaty would need approval by (1) the President, (2) a two-thirds vote of the Senate, (3) a majority vote of the House, and (4) a majority vote of the Senate." The delays and opportunities for obstruction which any such provision would create are obvious. The final judgment of the New York association is that Senator Bricker's amendment "would place so many impediments upon our conduct of foreign affairs as to constitute a grave threat to our chances of survival in the modern world."

If this is true, and it accords with separate analyses made by Mr Dulles, the Secretary of State, and Mr Brownell, the Attorney General, one wonders why the names of more than sixty Senators are attached to such a concoction, why the weight of the American Bar Association has been lent to give it added dignity, and why the Eisenhower Administration is seriously concerned lest the proposed amendment pass—so concerned that the President authorised Mr Dulles to promise the Senate that the United States would sign neither the United Nations covenant on human rights, nor that on the political rights of women.

The answer to the first question lies partly in the fact that several of the Senators who sponsored the measure introduced in 1952 said they did so because they thought the effect of treaties on domestic law should be publicly discussed. This does not commit them to vote for the Bricker Amendment, but it does give the amendment unfortunate weight with the public. So far the desired discussion has raged mostly in legal circles, where plenty of heat and considerable light have been generated. Until Mr Dulles made his opposition to the amendment known before the Senate judiciary sub-committee in a complete reversal of his views before he became Secretary of State, even the press seemed unable or unwilling to understand the danger. As for the public, it has yet to be aroused. Usually Americans rush to the defence of the Constitution, but this time they are the victims of propaganda which pictures what is really an attack on the Constitution as a way of defending it. Moreover, the deep national distrust of international commitments, swept aside after 1941, has reasserted itself since the beginning of the Korean war.

As for the part of the American Bar Association in sowing fear of the treaty powers, the explanation seems to be that a small group of elderly officers from the Middle and Far West, led by a Rhodes scholar from Seattle, banded together some four years ago to stop the country's forward progress in international affairs. By a series of shrewd moves they

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seized control of a Bar Association "Committee on Peace and Law through United Nations," and placed themselves in a position to speak for all the lawyers in the country. This group's efforts on behalf of an amendment very similar to that of Senator Bricker and another curtailing the President's powers to make executive agreements on matters not requiring treaties have alarmed groups of lawyers in New York, Chicago and San Francisco, who are jealous of the reputation of their profession for impartiality. Their disagreement is being made public.

In its present mood, and for a variety of reasons, the United States trusts neither the President, nor the Senate, nor its nearest neighbours, nor itself. Whether this distrust can be exploited to make dealings with other nations harder at a time when, for the safety of the country, they should be made easier remains to be seen. But the full force of the Eisenhower Administration, which on this issue will have the support of most of the Democrats in Congress, has been thrown behind the effort to prevent such a suicidal course.

American Notes

Challenge to Peace

To the world in general the chief significance of President Eisenhower's considered statement of his international aims, made last week to the Society of Newspaper Editors, probably lies in the evidence it offers that the new Administration in the United States is as prepared to take a constructive lead in a struggle for peace as its predecessor was in the struggle against Communist aggression. But to Americans, even more suspicious of Soviet sincerity than other people, it is equally, if not more, important that the President made it clear he would never consent to appeasement and that he set standards by which the genuineness of the Russian desire to change the cold war into a warm peace can be judged. He challenged the Communists to conclude an "honourable armistice in Korea," to sign an Austrian treaty, to release prisoners still held from the last war. If such deeds were followed by political settlements for other specific issues that divide the free world from the Soviet Union, then, and only then, agreements on disarmament might follow. Finally, after that there would arise a great opportunity to use the resources thus released for an international war against poverty.

This imaginative proposal is perhaps President Eisenhower's substitute for Mr Truman's more modest but also more immediately practical programme for underdeveloped areas. For the new President has so far given no indication whether he intends to continue the various Point Four schemes that are now under way, although he is sending his brother to Latin America, an area which he feels was neglected by his predecessor, to report on conditions there, with special reference to technical aid from the United States. Such an indication was, however, hardly to be expected in last week's speech, since it contained little in the way of precise plans. Its lack of detail, its failure to map the road to the objectives it sets up, is in fact one of the few points about it that has been criticised, especially by Mr Walter Lippmann.

Seldom has a presidential address been received with greater enthusiasm; it is already being justifiably hailed as a great state paper. Not surprisingly, since one of its most outstanding characteristics was the continuity which it established in American foreign policy, the acclaim has come even more whole-heartedly from Democrats than from Republicans. It was Mr John Foster Dulles who injected a partisan note into the peace campaign, when he followed the President with the first of a series of speeches on the subject which will be coming from various members of the Cabinet. For Mr Dulles insisted that the President's fresh approach to foreign policy and his creative challenge to the Soviet Union was possible only because of the new vigour and decisiveness which ninety days of Republican responsibility had brought to the government.

Fair Deal Filibuster

The filibuster, the process of talking a measure to death, has customarily been popular with southern Senators, who rely upon it to ward off Negro civil rights measures, and anathema to the northern, and Fair Deal, wing of the Democratic party. In the Senate debate on the Bill to give states title to the oil under the sea along their coasts, however, the shoe is on the other foot. It is the Fair Dealers who are responsible for prolonging the debate into its fourth week, though they disclaim any intention of filibustering; they are merely "educating the public" to the enormity of giving away billions of dollars worth of oil to three geographically lucky states, and encouraging other states to make raids on national resources. Not all those in the "talkathon" come from the north, however. Its leader is the liberal Senator Hill, of Alabama, a state which has no coastal oil; he has prepared a 73-page speech to add to the hundreds of thousands of words that have flowed over the tidelands.

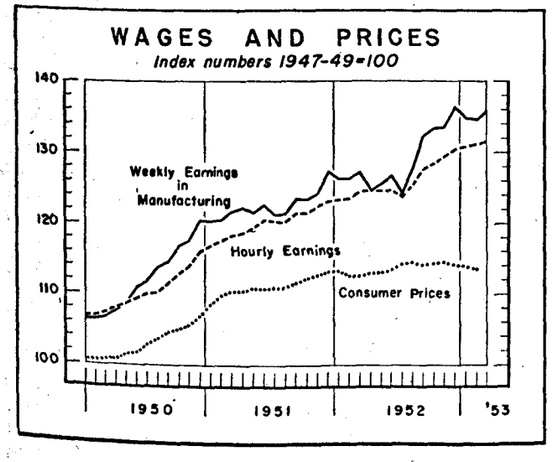
It is true that the opposition can have little hope of success. The House has already passed the Bill, a majority apparently exists in the Senate to do the same, and Senator Taft, the majority leader, is determined to push the measure through, even if it means that federal rent controls, which the Administration would like to see temporarily extended, die on April 30th. The Senator has called for the first evening sessions of 1953 in order to clear the decks, and even so is almost resigned to keeping Congress in session through July. The schedule calls for consideration of the Bill to give the President emergency powers to freeze prices and wages, and then for the Hawaiian Statehood Bill. But right of way will be made at any time for appropriation Bills, which are the indispensable business of Congress.

None of these has yet been passed by the House, in which they must originate. The House Appropriations Committee claims that by various economies and other devices—such as ordering the sale of government assets and voting for the liquidation of all public housing—it has "improved the government's financial position" to the tune of nearly $3 billion. Most of the economies consist, however, of postponements rather than genuine savings, and the estimate for the deficit in the year ending on June 30th is rising; revenues are expected to be disappointing. This year's deficit is now put at $7 billion; Mr Truman estimated that next year's would total nearly $10 billion. The opportunities for really large cuts in spending must await the foreign and defence appropriations, which account for 67 per cent of the requests for new money in the Truman budget. What the Administration will ask, or Congress grant, is still unknown, but in Congress, at least, there are still hopes of heavy slashes which will justify tax relief this year.

Wages on the Down Escalator

The trade unions, which were eager to secure cost of living bonuses while prices were rising, are less enthusiastic about them now that the escalator clauses have begun to work in reverse. The railway unions have had to accept a 3 cent an hour pay cut, and the employees of the General Motors Corporation, who at one time were receiving 26 cents an hour under the cost of living scheme, have lost a cent an hour. Textile and farm implement workers have suffered similar reductions in their pay packets.

The Bureau of Labour Statistics' new index of consumer prices is lower than it has been since June, although the drop has been slight. The wage escalator, however, is still governed, in most cases, by the unrevised index, which is based on the buying habits and the price level of 1935 to 1939, rather than those of 1947 to 1949. The railway workers helped to persuade President Eisenhower to order the old index to be continued temporarily. They probably regret now that they were not ready to convert to the new



index when it made its first appearance. The old index gives more weight than the new to food prices, and hence has fallen further.

As the chart shows, while prices have been levelling off, earnings have continued to rise. But this is due to longer hours as well as to higher basic rates. The trade unions are afraid that, if business slackens and prices drop further, many of their gains may be wiped out. One response has been the drive to have the major part of the cost of living increases incorporated in the basic wage. Another is to justify future wage demands on the score of increased productivity. Automobile workers already receive annual productivity increases. The National Association of Manufacturers has moved to nip in the bud any effort to extend this practice. It argues that gains in productivity should be shared by all consumers through lower prices and not confined to trade union members.

With labour still scarce and business humming, some wage concessions will be necessary. But large increases will not be as easy to win as they were last year, when the steelworkers secured their big rise. Their demands this year, which are now being formulated, will be watched closely. The steelworkers have no cost of living clause in their contracts. Any substantial rise they may win would increase the dissatisfaction of workers on an escalator that has begun to move down.

Villain of the Shell Shortage

That there was a shortage, at times a grave one, of certain types of ammunition in Korea has been conceded by the defence authorities summoned by the Senate Armed Services sub-committee to answer General Van Fleet's complaints. Having established this, the task of the chairman, Senator Margaret Chase Smith, and her colleagues is to discover where the responsibility lay. Mr Lovett, the

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former Secretary of Defence, and Mr McNeil, his Assistant Secretary, have stoutly resisted Senator Byrd's demands for an individual scapegoat. The villain, they insist, is the "basic system of Army procurement, obsolete accounting, and splintered authority."

Nominal unification of the services has not prevented Army spokesmen from disagreeing. Mr Pace, the former Secretary of the Army, has testified that in September, 1950, it was assumed by the top defence authorities that the war would be over by June, 1951; the Army was discouraged from spending too rapidly the ample funds for ammunition voted by Congress. No one, moreover, foresaw the entry of the Chinese or the heavy expenditures of shells required by the trench warfare that followed. Moreover, an ammunition industry had to be built up virtually from scratch in 1950. Others reminded the sub-committee that in peacetime the Army is compelled, by Congress, to rely on competitive bidding and to consider the claims of small businessmen and distressed areas to a share of the contracts.

No doubt all these factors contributed to the delay. But what most shocked and impressed the committee was Mr McNeil's description of the birth of an arms contract. An order must go through thirty or forty departments and be approved by 200 officers before it emerges as a firm contract. This might take as long as 287 days; the "speedometer" on one order registered 10,000 miles. The system which has grown up—some of it dates back nearly to George Washington's time—makes it difficult to get the facts and almost impossible to assign responsibility. In Senator Byrd's words, it is "terrifying . . . incomprehensible . . . ridiculous." Mr Stevens, the present Secretary of the Army, has testified that in Korea the shortage is now a thing of the past. He hopes that within six months, as new facilities come into production, the home reserves will be built up to a safe level. The enquiry will have served a most useful purpose, however, if it brings about a reorganisation of the Army's traditional business and administrative methods. The last war was won only by disregarding most of them.

Young Men in a Hurry

MR COHN and Mr Schine, Senator McCarthy's cocksure young deputies recently in Europe, are leading members of a rapidly growing Washington profession, that of counsel to congressional investigating committees. (It is surprising that no college yet seems to offer a degree in this subject.) "Like master, like man," applies in this case: no reputable investigator would consider a ten days' whirlwind visit long enough to collect full evidence whether the "maximum constructive use" is being made of the taxpayers' money by the overseas propaganda services, the ostensible purpose of this trip. But ten days is quite enough time in which to collect a full batch of specimens to be examined later for Communist symptoms by Senator McCarthy and the television cameras.

One specimen who has already turned on the two "junketeering gumshoes" is Mr Theodore Kaghan, a leading American information official in Germany. Another courageous victim of this inquiry, Mr Reed Harris, who earlier answered Mr McCarthy back most satisfyingly, has now given up the struggle and resigned from his post as deputy director of the State Department's International Information Administration. Dr Robert Johnson, President Eisenhower's new head of the whole United States Information Service, has expressed his regret at Mr Harris's departure with heartfelt sincerity. But the rivalries and disagreements on policy within the service, which the McCarthy investigation has brought into the open, show that it would certainly be better off without some of its other employees. Dr Johnson is therefore probably not sorry that the new Administration's insistence on economy is forcing him to dismiss over 800 of them—although probably not the ones that Senator McCarthy would choose to dispense with. It is also forcing Dr Johnson to reduce drastically the hours in which the "Voice of America" speaks to the free world; broadcasts to countries behind the iron curtain will, however, apparently be maintained in full.

Dr Johnson has brought in several outside experts to examine various branches of the information services and a thorough reorganisation is expected before long. This may involve taking overseas propaganda away from the State Department completely and setting up an independent agency to deal with it. This has already been recommended by several experts and may be favoured by the sub-committee of Senate Foreign Relations Committee which for some time has been covering much the same ground as Senator McCarthy, but digging into it more deeply, with responsibility and without publicity.

SHORTER NOTES

Whether or not America's government-owned synthetic rubber plants will be taken over by private industry now depends on Congress. Following the recent report of the Reconstruction Finance Corporation on this subject, the President has recommended legislation permitting their sale. He stipulated, however, that the sale price should enable the plants to realise their full, fair value and should ensure the country the benefits of competition in the industry.

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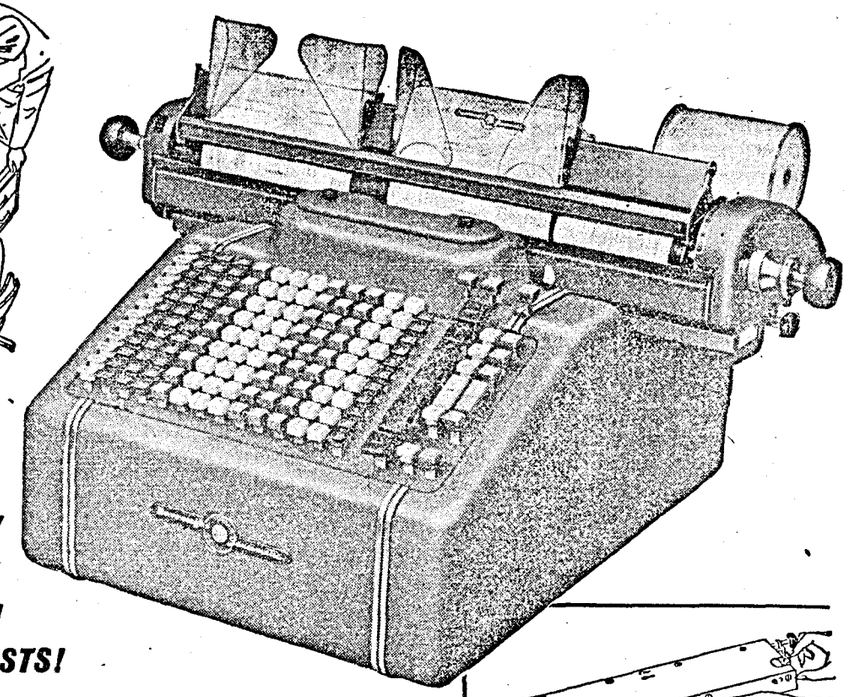
Mrs Oveta Culp Hobby, the head of the new Department of Health, Education and Welfare, and the second woman to be a member of an American Cabinet, does not wish to be called "Madam." She prefers "Mrs Secretary."

★

President Eisenhower has had great difficulty in finding anyone to accept the position of head of the Anti-Trust Division of his Department of Justice, for in a Republican Administration the holder of this office will certainly be subject to embarrassing pressures from his party's business supporters. Mr Stanley Barnes, a judge from California, has now been appointed. His slogan will be "prosecution but not persecution"; he has no previous experience of anti-trust work. The opposite is true of Mr Edward Howrey, the new Republican head of the Federal Trade Commission, which is also concerned with anti-trust cases. He has been defending companies against FTC charges for over twenty years, and businessmen will hardly now be able to claim that the commission is prejudiced against them.

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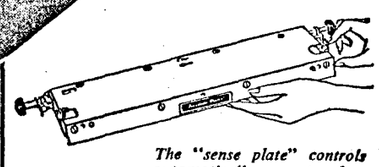
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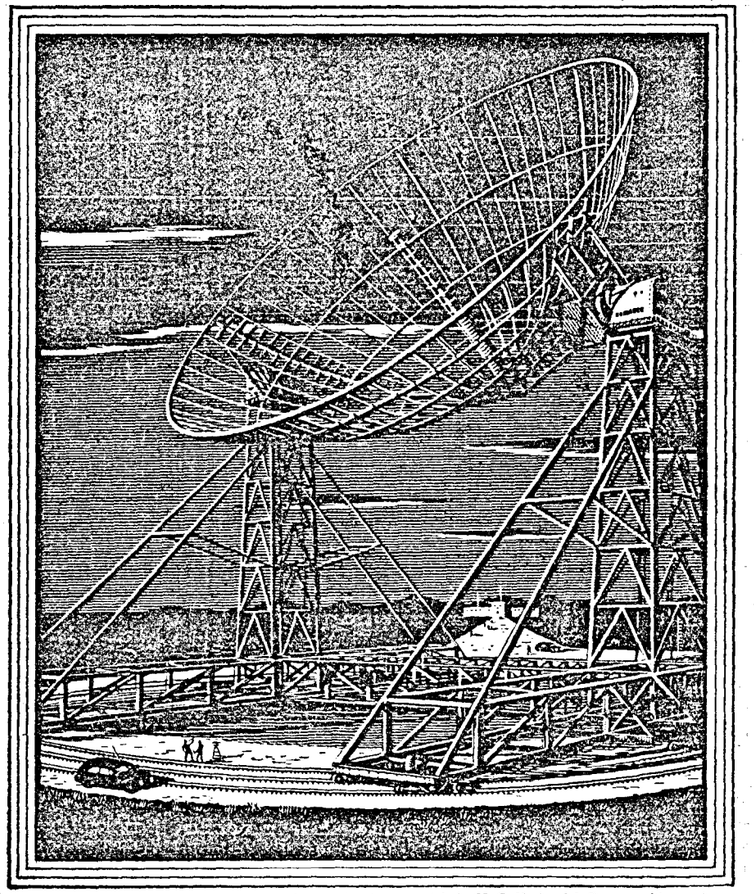
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The World Overseas

Canada Feels Its Strength—1

Power Not For Export

FROM OUR OTTAWA CORRESPONDENT

NOT so long ago people talked about Canada as the only country in the world to suffer from two inferiority complexes at once. The wisecrack derived from the overshadowing influence of Britain on the one hand and the United States on the other. But the Canada of 1953 is less like a psychiatrist's patient than a poor relative who has come into a sudden fortune. Considering the access of riches, the country has commendably resisted the temptation to arrogance ; and if signs of it show here and there they can still be considered a healthy alternative to a double inferiority complex.

In the early years after the war Canadians sometimes wondered if they had merely exchanged the habit of saying "Ready, aye, ready, sir" to the British for the habit of saying it to the Americans. There was considerable doubt whether, in that case, the exchange was an improvement. But in more recent years fewer and fewer Canadians feel any inclination to say "ready, aye, ready" to any other country. Great Britain, in its long experience with evolving national entities, learnt long years ago that the Canadians were apt to be touchy. Now, in the postwar bloom of Canada's expansion and the established recognition of national independence, touchiness is no longer a characteristic that bothers Anglo-Canadian relations. When Britons complain about Canadian attitudes, it is not because they are touchy but because they are tough. But Americans, still short of experience in dealing with smaller powers and newer national entities, are apt to complain even in these days that Canada is touchy.

What American observers often call touchiness is what Canadians call "putting them in their place." What they consider "awkwardness" in Canadian foreign policy Canadians regard as the exercise—often frustrating and sometimes futile—of a duty and a right to criticise wrong-headed policies. These differences are now becoming apparent in a new and important sphere, the development of Canadian natural resources. The Canadian Government, with widespread public support reflected in the attitudes of the principal political parties, is insisting on a policy of development in the interests of "Canada First." Many Americans find themselves puzzled by the attitudes taken here, and they are apt to regard them as "nationalistic" or even "isolationist," and certainly "touchy."

The phrase "Canada First" in this connection has an interesting history. It came into prominence during a protracted parliamentary manœuvre which was planned by opposition members to delay the incorporation—demanded by Act of Parliament—of companies planning to export Canadian natural gas. A group of members, including some Government supporters, set itself some years ago to resist the incorporation of any company whose object was to export natural gas from Canada to the United States. Canada, they said, must be served first.

In the spring of this year, the Government at last proclaimed its own policy in the matter, and Mr C. D. Howe, Minister of Trade and Commerce, corrected the "Canada First" slogan. He said he did not like it because it immediately raised the question who would be second and third. His slogan, he said, was "Canada Always." Whatever the phrase may be, the policy comes to the same thing. It is that Canadian natural resources may not be alienated until it is established that Canada has no use for them, and that not merely in the foreseeable future but in any conceivable future.

Alcoa and Alcan

The case has arisen lately not only about natural gas, but also about water-power. The Aluminum Company of America has a plan for a huge aluminium smelter near Skagway, Alaska, at the historic entrance to the Yukon. Its plan depends on turning back the headwaters of the Yukon River and tunnelling them through the coastal mountains, very much as the Aluminum Company of Canada is doing at its Kitimat-Kemano development in northern British Columbia. The Alcan development uses Canadian water and uses it on Canadian territory. The Alcoa development would use Canadian water on United States territory. Moreover its aluminium production would thus come within the American tariff boundaries. The suggestion could hardly be popular in Canada at a time when the Canadian company has made repeated efforts to contract to sell some of its output to the US Government—efforts which have always been frustrated by the protectionist pressures of the American industry.

Yet, in rejecting the American company's request, the Canadian Government deliberately refrained from basing its refusal on any of the details of the proposal. It has not raised the question whether it would be economically desirable or not. Instead it has reverted to a parliamentary Act of 1907 governing the export of water-power, and has simply asserted that it is contrary to Canadian policy to permit export of power which may be required for Canadian development. The refusal was also made without reference

to, though not without knowledge of, an alternative proposal now under serious study for use of the Yukon's water-resources within Canada for a major metallurgical development. None of the details of the plan are yet revealed. But it is known that one of the biggest Canadian mining groups—headed by the companies of Ventures Ltd. and Frobisher Ltd.—is interested in a huge power development to enable it to conduct smelting operations by new processes which it has developed. An ultimate capacity of 5 million horsepower is envisaged, and it appears that ores from all over the world as well as from North America might be brought to the source of power, much as bauxite is brought to power for the production of aluminium.

This development, clearly, may be so important that it would by itself provide complete justification for refusing to sanction an alternative use of the power. But this is not the ground on which the Canadian refusal was made. If the Ventures-Frobisher project had never been heard of, the Canadian attitude would have been the same. The power would have been reserved to Canadian use against the day when somebody else came along with a project for using it in Canada.

(To be concluded)

Prospect for Jordan

BY OUR SPECIAL CORRESPONDENT IN THE MIDDLE EAST

ON a cold and windy evening early this month, the people of Amman watched the young King Hussein return to his kingdom from Harrow and Sandhurst. He will be crowned on his 18th birthday, which falls next week. In a few respects his coronation is a moment of promise. He has a good Sandhurst record for sturdiness and leadership and, judging by the aplomb with which he at once set about visiting his ministries and his distressed areas, he has a mind to be a worker-king. The people that he is to rule also possess some sturdy qualities, as was proved when, in the course of two years of distressing economic need, they weathered first the murder of King Abdullah, and then their abdication crisis.

Yet against these advantages must be set at least three dreadful drawbacks. A people that was sadly poor to begin with has been shorn by the Palestine war of its natural market, the coastal plain of Palestine, and its natural port, Haifa. Poverty of communication with the world outside is present-day Jordan's chief bar to an improved economy; it is the only Arab sufferer by the Arab boycott of Israel. Simultaneously, it has joined to itself the poorest part of Palestine—bare hills full of people once quite well to do, but now destitute and drifting in search of someone or something to be loyal to. Lastly, to these two handicaps is added the crushing burden of the nearly half a million refugees who fled east in 1948; these are only partially cared for by the United Nations, and remain an unsolved problem because even a greatly improved Jordanian economy could not sustain such numbers. The prospect is not bright.

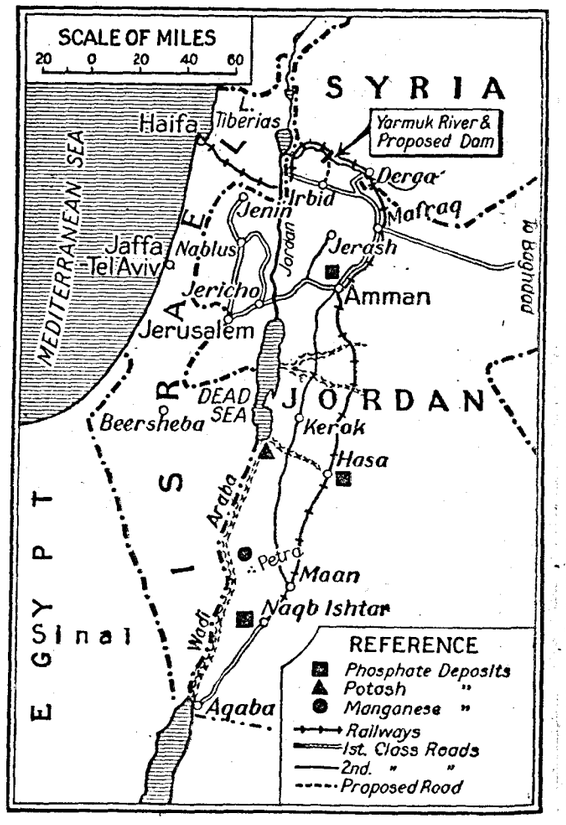
Jordan's map and its trade figures are two pieces of solid evidence of its difficulties. A relief map shows at a glance that all roads, whether north-south or from east bank to west bank, must (unless they veer out into the eastern desert where there are no paying loads) climb up and down huge escarpments which are expensive in time and money, not only to pave but to cross; till roads are good, the limit to better living standards is set less by what can be produced than by what is worth carrying to a paying market.

A decade of foreign trade balances shows, however, that this handicap has not prevented the Jordanians from spending the proceeds of war booms on equipping themselves from abroad. Visible trade runs at a tremendous unbalance:

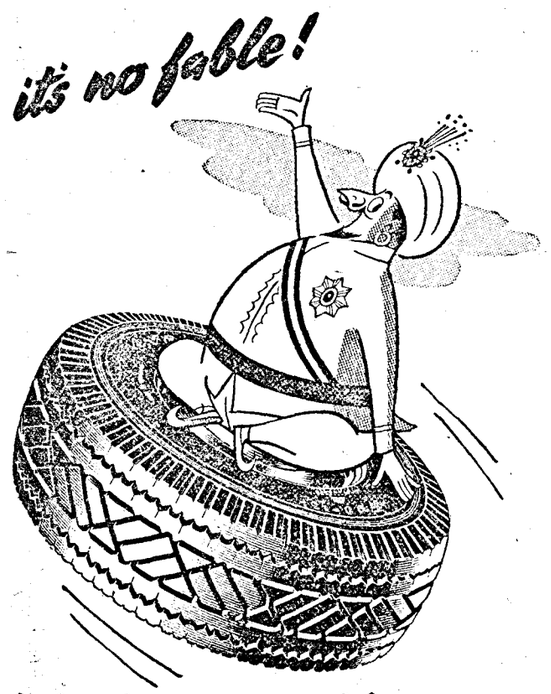
(000,000 Jordan Dinars)
1JD = £1 sterling

	1950	1951	1952
Imports	13.48	16.18	16.85
Exports	1.95	2.00	2.11

In so poor a country, this gap appears at first sight unbridgeable. Even when about JD3 million worth of imports paid for by the United Nations Relief and Works Agency (Unrwa) is deducted, it remains huge. In fact it is bridged by a quite abnormal number of unilateral transactions; official transactions such as that part of the British subsidy towards the Arab Legion which is spent inside Jordan, and local expenditure by Unrwa and the United States Point IV organisation between them provided over JD9 million in 1952. In the same year invisible exports included over half a million as rent for the passage of pipe lines and JD2.46 million of remittances from emigrants and foreign religious foundations. Any young man who can afford the fare is ready to leave for Kuwait tomorrow; this figure is therefore likely to rise, and, for the sake of an overcrowded country, one must hope that it will do so. Tourist earnings would be greater if communications were better; they deserve to be



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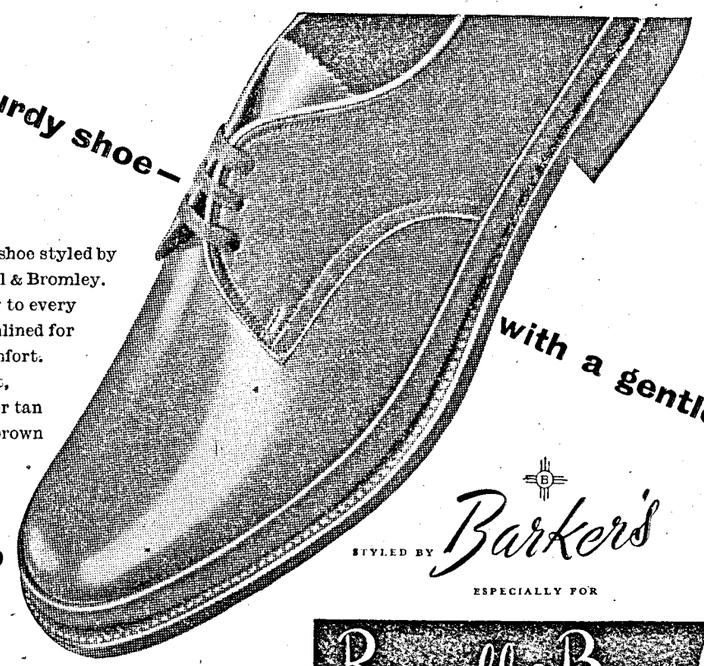
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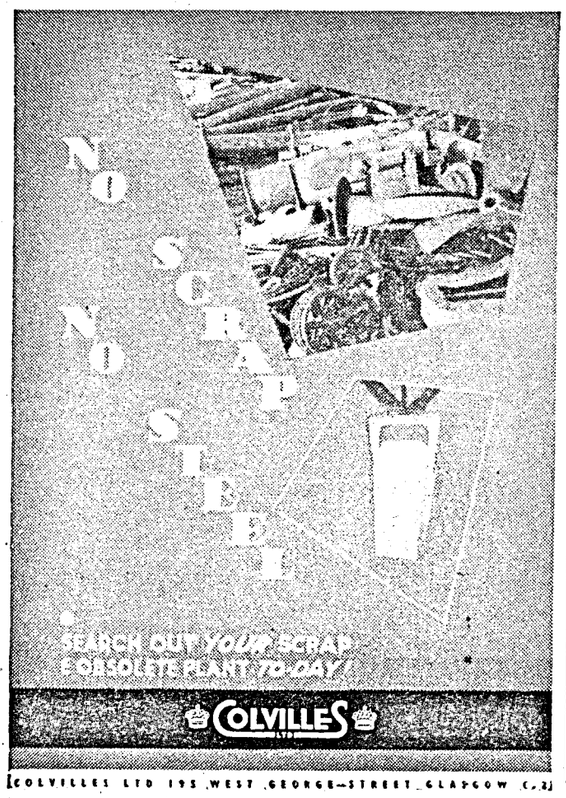
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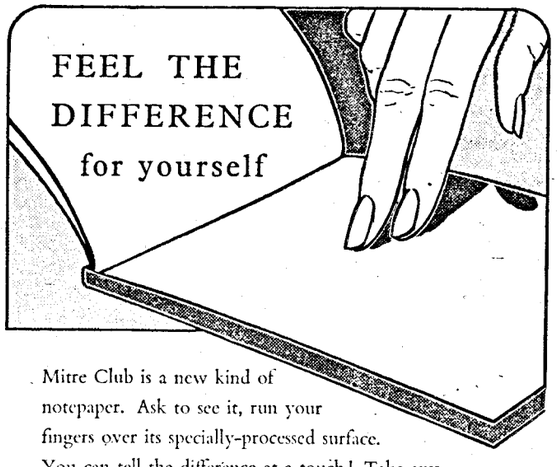
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so, for Jordan's manners to its visitors are first class. Currently, therefore, there is a favourable balance on foreign exchange, the scales being finally tipped by payments from a series of British development loans towards the country's five year plan and—negotiated during the financial talks which took place in London this spring—a British grant-in-aid (£750,000 for the year that is about to begin) towards budgetary stability while development materialises. In a word, Jordan rounds the bend only because of a peculiar series of subsidies, and—for years to come—would collapse if they were to stop.

The Taxpayer's Question

To the British taxpayer who inquires, legitimately enough, why his money should go to developing the lands of a distant ally, the answer is that the bargain is mutual. Jordan cannot carry its present burdens without more money than it is in a position to earn ; the British need a dependable military and air ally in Jordan's part of the world—a region that is elsewhere a prey to anti-western mouthings and to social instability. A bargain has been sealed because the Jordanians, despite the knocks that they suffered over the Palestine settlement, are ready to do business ; they are more apt than most of their neighbours at weighing their interests on a basis of reality as opposed to emotion. The British, when closing the negotiations which, last month, produced the third development loan and the budgetary grant in aid, with equal realism told them that they must enforce more control of unlicensed imports and of foreign exchange transactions if the arrangement was to be mutually satisfactory.

The job of shortening the period of Jordan's dependence on outside aid as much as possible falls to its development board, on which sit Jordanian ministers and civil servants with a British secretary-general and a representative of the US Point IV organisation. The funds at its disposal are chiefly the last two British loans (£1.5 million in 1951 and £500,000 this year). Point IV's contribution is largely in kind ; it finances a variety of experts and, in Jordan in particular, would do more good if it spent less on people and achieved a greater concentration of funds on its best projects, which are good ; Unrwa is also contributing to one long-term scheme which promises directly to settle some refugees.

The question of the moment is: in what order shall projects be furthered ? Shall communications come first—roads, Jerusalem airport for tourists, proper equipment for the port of Aqaba ? Or is the most urgent priority west bank morale, in the interests of internal security ? Or shall the country stake the bulk of the money on the manganese and phosphates that, after cursory survey, are known to exist in considerable quantities—though the manganese in particular is most inaccessibly placed ? Or shall close settlement of peasants on irrigated land take first place? Or the planting of forest trees to arrest erosion ? The debate is on.

The board was founded only last year, and few projects have as yet paid dividends, but communications are improving and good work is in hand (it will be described in a subsequent article) in restoring some employment and self-respect in the nearly desperate west bank frontier villages and in Jerusalem. Two agricultural schemes of promise are the damming of the Yarmuk river in order to provide power for both the Jordan valley and Syria as well as good land for perhaps 100,000 cultivators on the floor of the Jordan valley, and a so-called "water spreading" scheme on the fringe of the desert where, by the raising of banks, Point IV is already proving on sample plots that winter rains can be made to grow lush grass and nourish fatter cattle.

Some Jordanians are fired by the prospects of mines and industry and feel that all the money should be devoted to these. Certainly much capital is needed for the former and the sums raised by public subscription in Jordan itself are pitifully inadequate for full development. But here, if anywhere, seems to be a point at which private foreign capital might be enlisted. Jordan's problem is how to afford the necessary security. The private investor has become shy owing to recent treatment in Middle Eastern countries, but might be tempted into mixed joint-stock enterprises run in harness with Jordanian private capital if the Jordanians were, in their sturdy way, to promise reasonable security over the export of profits and the employment, at the start, of expert foreign technical management.

Even this cursory survey reveals that King Hussein has a heavy load to shoulder. Over and above an economic situation in which, in any year when rains are short, his own people are closer to starvation than are the refugees fed by Unrwa, he has to contend with bitter east-bank-west-bank feeling that causes good men to be passed over, and with the sad weaknesses of an administration that has slipped downhill under the strain of too many problems and too little money. But some of these ills could be cured by an injection of personality. This is much to ask of a young man of 18, but the chance is there if he chooses the best advisers available and decides to seize it.

Dilemmas for Peking

SINCE the beginning of the year two decisions taken in Peking have indicated the serious economic difficulties which now confront the Chinese People's Republic. First, in January a conference of ministers concerned with economic affairs decided to reduce by 30 per cent the expansion of industry planned for 1953 on account of shortages of materials and skilled labour. It also issued a warning on the disruption of these plans by competitive bidding for skilled workers between various state organisations anxious to achieve or surpass their production targets. Then, in March, a directive from the Central Committee of the Communist party spoke of "impatient and adventurist" tendencies among party officials in the countryside, pointing out that work by peasants on their private holdings was "perfectly legal" and that they must not be compelled against their will to enter collective organisations.

At the beginning of January it was proudly claimed that the five-year plan for the expansion of industry would be carried out successfully because of three factors: China's rich natural resources, the "wise leadership" of the Communist party and the "selfless help" of the Soviet Union. Since then the government has been running into all the difficulties which confronted the Soviet Union in its industrialisation and which exist in China today in an even more obstructive form. What the Chinese Communists want to do—and it is, of course, a Chinese national aspiration quite apart from any Communist doctrine—is to carry out a high-speed industrialisation of the country, and particularly to build up a strong heavy industry, without

any dependence on loans or credits from "imperialist" nations. Such an effort in an economically backward and poverty-stricken country has two inevitable adverse effects: first, a scarcity of materials and skilled labour due to targets being set beyond the availability of these factors, and, secondly, a famine of consumer goods due to the maximum diversion of resources into the capital goods industry. The latter consequence is particularly important in relation to the peasantry, because peasants owning their own land and producing enough food for themselves are unwilling to produce for the support of the urban population unless they can obtain purchasing power in terms of consumer goods.

The materials and labour shortages have already, as pointed out above, enforced a drastic curtailment of plans for this year. A planned economy is quickly upset if materials are diverted from priority requirements and if wage rates are forced up by competitive bidding for an inadequate labour supply. The Chinese Communists have centralised the administration of the country to a far greater degree than any previous regime, but there is no central control comparable to that which Stalin had over the Soviet economy in 1930; consequently, it is much harder to enforce a strict scale of priorities for materials and labour. There is still a large sector of private industry and the various regional authorities and state trusts are highly competitive among themselves. Peking says that all this scrounging for scarce materials and "luring" of skilled workers from one place to another is a "deviation" which must be "examined and corrected." It will be more easily examined than corrected and, meanwhile, the government has done the wisest thing in reducing the plan.

Doubled-Edged Weapon

The scarcities in industry, however, are not the only major difficulty in the way of the plan. Industrialisation requires that the town population, including a greatly expanded labour force, be fed from the villages while the work is in progress. But how is the peasant to be persuaded to produce a sufficient surplus of food for the market? Either he must be compelled to produce it and deliver it to the state as a tax without any return for it, or else he must be given the incentive of sales which will enable him to buy consumer goods. But the former course means increasing unpopularity for the government, perhaps leading to active disaffection and even revolt, while the latter involves a relaxation of the austerity in consumer goods supplies which a plan concentrated on heavy industrial construction necessarily requires.

The Chinese Communists are discovering what all Communists in power find out sooner or later, that agrarian reform is a double-edged weapon. Giving the landlord's land to the peasant in private ownership is a wonderfully effective tactic in the period of revolution, but the price has to be paid when it comes to forced industrialisation in the Communist manner. The peasant who has come to own the land he cultivates expects to be better off than when he was a tenant, but he gains nothing if the state takes everything in taxes that he formerly paid in rent. But if he is to be induced to supply the towns with food by the availability of consumer goods, this limits the state's capacity to divert national resources into heavy industry. The ideal solution is, of course, collectivisation, which is not merely a theoretical aim of socialist policy but has the vitally important practical effect of transforming the independent peasant producer into a wage-worker no longer able to determine the quantity of his own production or to withhold it from the market. But as the recent Central Committee directive sorrowfully admits, collectivisation is not yet practical politics in China; the vast majority of the peasants are hostile to the idea and it would be too dangerous to enforce it.

With the Nationalists in Formosa watching for any opportunity to make trouble, Peking cannot afford to provoke peasant insurrections. So the over-zealous comrades who have been trying to coerce peasants into joining "mutual aid teams" and "producers' co-operatives"—the preliminary stages on the way to the collective farm—have been told to go slow and be more careful.

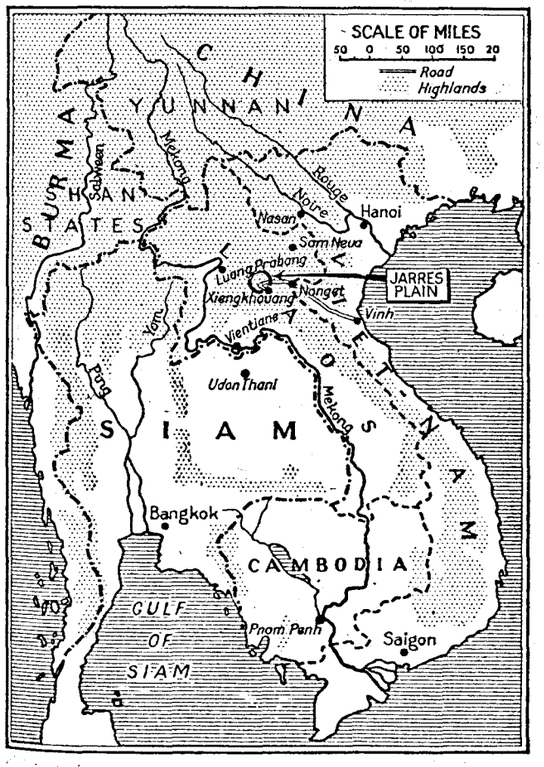
Retreat to Persuasion

The programme now declared is to win over the peasants gradually to a favourable attitude to collective farms by establishing models in each province to demonstrate their advantages; similarly, the mutual aid teams and producers' co-operatives are to carry on propaganda by example. The idea, as in Eastern Europe, is to make the system attractive by endowing the model collective units with farm machinery and various facilities and privileges which are withheld from the private producer. At present, according to Peking, there are ten collective farms in the whole of China (of which six are in Manchuria) and 1,200 producers' co-operatives. Mutual aid teams are very numerous, but they are partial and unstable forms of organisation which involve no real break with the system of private ownership and are of little significance unless they can be made to lead on to the "higher" stages of collectivist evolution. It remains to be seen how successful the propaganda will be in persuading the Chinese peasant that it is good for him to be collectivised. In any case, it is a long-term prospect, and, meanwhile, the impatient industrial planners have to reckon with a peasant who is a private entrepreneur and must have an incentive to produce for the urban market.

One consequence of the Communist propaganda in the countryside for social levelling and collective enterprise has been a migration of peasants to the towns in numbers which have become embarrassing to the Government. The swarming of unskilled workers into industry from the rural areas does nothing to relieve the shortage of skilled workers, and sets the authorities a problem of unemployment relief when construction projects have to be abandoned or slowed down. The Communist party now denounces "blind entry" of peasants into the cities and chides them for their "lack of understanding" of the importance of agricultural production. The flight from the land, however, has been due, not to the peasants' "lack of understanding," but to the strong disincentives imposed by the system of classification of peasants into grades with various kinds of discrimination against the higher grades and the menace of future expropriation. Everyone wants to avoid being classified as a "rich peasant," and in order to make the grade downward one must not lend or borrow money, hire labour or make conspicuous improvements on a private holding. With so much discouragement to productivity on the farm, many peasants have preferred to take the chance of earning a good wage in the town. They are unlikely to understand the importance of agricultural production until it is made safe to be a kulak.

The Vietminh Strikes West

THE Communists in Indo-China are somewhat belatedly asserting that the fighting in Laos is a popular rising against the French, in which none of Ho Chi Minh's troops are involved. It is true that Ho's rebel "government" in Vietnam has always fostered the idea that a sister "government" existed in Laos, and that its guerrillas had long been active on their own soil. In fact, however, Laos has hitherto been relatively untroubled either by indigenous or by Vietminh Communists, and it was only lightly garrisoned by French Union forces. Moreover, the military evidence is clear; four separate Vietminh formations have been identified as pushing across the frontier into Laos.



However strongly the French feel that the attack on Laos must be treated as an internal problem, there is no doubt as to its wide international significance. If the Vietminh invaders succeed in striking across this difficult but relatively small area to the Mekong river, they will have come for the first time to the frontier of a non-Communist country—Siam. Moreover, the Mekong is not so much a barrier as a link between Indo-China and Siam. The Siamese on the far bank are cousins of the Laotians and mix with them freely. There are signs that Communist China hopes to make good use of the relationships between all the peoples of the Thai group; in February an autonomous Thai administration was created in southern Yunnan, and last week, when the drive into Laos was well under way, an autonomous Lahu area was proclaimed in the south-west of the same Chinese province. The implications are obvious, not only for Siam but also for Burma, for the Shans also belong to the Thai group.

Clearly, no great military advance across South-East Asia could be routed through the mountains and forests of Laos. But political penetration, based not only on appeals to Thai solidarity but also on manipulation of the troublesome Vietnamese colony in north-east Siam, could be a serious threat. For the first time, the Communists look dangerously like breaking through the shield—composed of mountains and French Union troops—that has hitherto protected the soft heart of South-East Asia. The fact that they chose to launch the attack just when Moscow and Peking were talking of peace (and hard on the heels of the Vietminh's own "peace congress") is more than ironic; it sheds a revealing light on the true nature of present Communist policies.

Boris Kidric—Jugoslavia's Empirical Planner

BY A CORRESPONDENT

WITH the death of Boris Kidrić Marshal Tito has lost the first of the four friends and close collaborators who have been associated with him in building up the post-war republic of Jugoslavia. The illness that caused Kidrić's death at the early age of 41 was brought on by the intensity of his overwork over the past ten years. He spared neither himself nor his subordinates. As president of the Economic Council Kidrić had the hardest job in the government. He was responsible for the five year plan launched with such high hopes in 1947; a year later he had to reorganise it fundamentally because of the economic blockade of Jugoslavia by the Cominform. At this time it was of vital importance to Marshal Tito to have a strong man of unquestioned loyalty in charge of economic affairs. Economic collapse would have meant the end of the regime. The Russians calculated that it was bound to come within two years and did their best to win over Kidrić. Although they gained the support of two of his subordinates, Hebrang and Zujović, Kidrić himself never wavered; he worked on with ferocious determination to prevent a breakdown in the economy. He succeeded, but economic collapse at that time was nearer than many people realised. Tito's gratitude for Kidrić's labour of love has been apparent ever since; he has stood firmly behind Kidrić in the storms of criticism that have assailed him in the past five years.

Kidrić was not a trained economist. Unlike many of the economic chiefs of present day underdeveloped countries, he had not studied at the London School of Economics. Had he done so, he might have avoided some of the elementary errors that were allowed to remain in the five year plan; two of the most glaring of these were the excessively high investment rate and the neglect of investment in agriculture. On the other hand, the lack of doctrinaire training gave Kidrić some advantages. His goal was simple and unchanging—to bring prosperity to Jugoslavia, raise the standard of living, cure underemployment, and modernise the whole country by the rapid development of Jugoslavia's great potential. Industrialise first and fast, sacrifice now for benefits in the future—such were his slogans.

Neither Russian threats nor western aid prevailed on Kidrić to abandon this aim, though he frequently changed his policy and methods—and was quite prepared to expound and defend each change in speeches remarkable both for their length and obscurity. The economic laws and

regulations which have followed each other in bewildering variety over the past few years caused some criticism of Kidrić—particularly in the agricultural areas—but they were in fact a tribute to his capacity to learn by experience and his willingness to throw over a policy once it had been proved ineffective. Of course policy was not entirely of Kidrić's making; but his views usually prevailed. Towards the end of his life he had come to change his ideas on the relationship between the socialist state and the private peasant and to realise that the peasant must be given some real incentive to produce.

Kidrić was a Slovene. Through his Austrian education and his exile in Prague and Paris between the two wars he had acquired a fair knowledge of western life and culture. He had been a Communist since his schooldays, and like Tito had been gaoled for Communist activities in prewar Jugoslavia. During the war he was political commissar to the partisan group in Slovenia—a key position in Tito's wartime hierarchy. Thus Kidrić's career, though on a less heroic scale, had run parallel to that of Tito for many years and their sense of comradeship was close.

Kidrić did not live to see his vision of prosperity in an industrial Jugoslavia realised, but before he died, he saw most of his plans firmly backed by western aid, and some of them already on the way to achievement.

Arson in Argentina

FROM A CORRESPONDENT

RARELY in Argentina's history has Buenos Aires seen an orgy of destruction like that of the night of April 15th. The acts of hooliganism, which began with window-breaking and culminated in incendiarism, were ostensibly a popular reaction to the bomb explosions during General Perón's speech from the balcony of Government House; but they were the work not of a mob but of organised gangs.

Bomb explosions have become a feature of recent political events in Argentina. One explosion greeted the President on his return from his Chilean tour. Exactly a week before these latest outrages a bomb went off a couple of blocks from the house where the corpse of Juan Duarte, Perón's brother-in-law and ex-private secretary, and notorious black-market entrepreneur, dead allegedly by his own hand, lay "in state." But, curiously and perhaps significantly, in every case the bombs were planted in places where a minimum of damage might be expected. Of the two which punctuated General Perón's speech, one burst in a hotel undergoing renovation, 150 yards from the presidential rostrum, the other in an underground railway station which owing to its proximity to the rostrum was temporarily out of use; and it was probably by pure bad luck that the first explosion killed six and led to the injury of about ninety of the audience.

But it will be difficult for Perón to evade all responsibility for the events that followed. The explosions provided him, apparently, with an opportunity of changing the tenor of his speech. It became a violent denunciation of rumour-mongers, profiteers, and "psychological warfare" waged from abroad through agents in Argentina. He suggested that these "agents" should be sought out and "hanged on trees"; that the time had come to return to the days "when people went about with garrotting wire in their pockets." He was interrupted at one point by cries of "*leña*" (firewood) from some individuals, and told them that they should take matters into their own hands and provide their own kindling. Finally he saw fit to forecast his future policy, in words which might have been uttered by a Tiberius or Caligula:

> . . . if in order to finish with the evils within and without, to finish with dishonesty, it becomes necessary for me to go down in history as a tyrant, I shall do so with much pleasure. Until now I have employed persuasion; in future I shall employ repression. God grant that circumstances will not force me to resort to most terrible punishments.

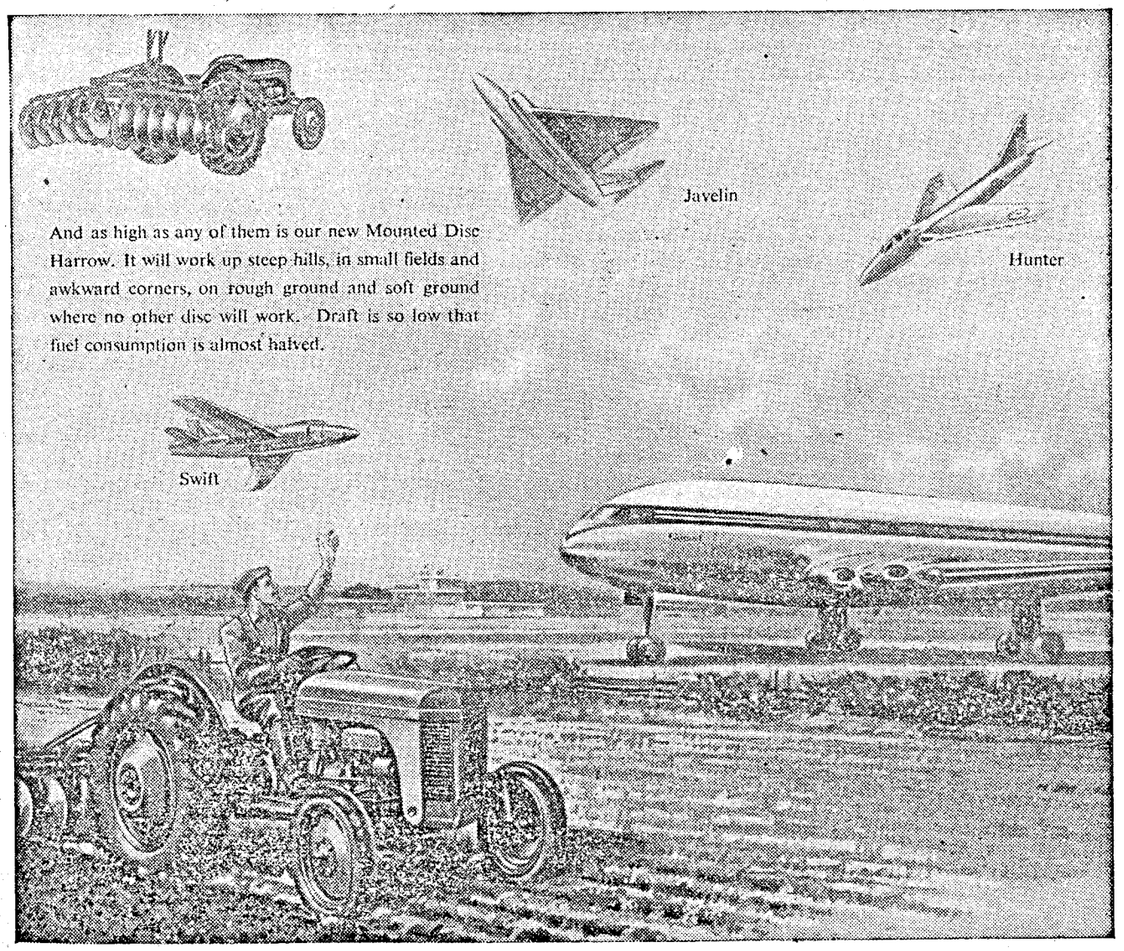
After such a tirade, it would not have been surprising to find the capital at the mercy of an inflamed mob. But, contrary to the official police version, the acts of violence which followed were not the work of any mob. They were the work of small but well-organised gangs of youthful toughs, most of them carrying banners and streamers of the ALN (*Alianza Libertadora Nacionalista*), a noisy but unimportant group of ultra-nationalistic and anti-semitic tendency which supports Perón. This fraternity had evidently been given a free hand. The night before the demonstration of April 15th their loud-speaker vans had made the streets of Buenos Aires into a fair imitation of Bedlam. After the rally the vans, their orators hoarser but still enthusiastic to the point of hysteria, led small parties of young toughs from street-corner to street-corner.

A Night of Flames

Cafés and bars, which had been closed since 4 p.m., were officially allowed to reopen at eight. Those which opened punctually had cause to regret their taking this permission at the letter. Soon after midnight the headquarters of two opposition parties (Radicals and Socialists) were in flames and those of a third (National Democrats) had been wrecked. The Argentine Jockey Club was looted and also in flames. In the fire perished the contents of the Club's famous library—priceless manuscripts, books and works of art, including one of the greatest Goya collections in the world. Apathetic or terrorised crowds watched this act of vandalism; police stood idly by; firemen arrived long after the conflagration was in full blast but concentrated on an attempt to prevent the fire spreading.

Violence has distracted popular attention from General Perón's crucial problem—discontent caused by rising living costs and food scarcities. Perón had undertaken to explain his handling of this problem, but the bomb explosions relieved him of this responsibility. Beyond a claim that prices had come down by 25 per cent since the CGT a few weeks ago brought the matter to his attention ("held a knife to his guts," in the General's forceful if inelegant phrase), and that Argentina's economy was never better than at present, his speech hardly touched on economics. How deeply dissension and discontent have cut into the *Peronista* ranks is evinced by the fact that the widely advertised rally on April 15th was only sparsely attended by industrial workers. The crowd of 100,000 which assembled was largely made up of office workers, shop assistants, and above all of government employees, who attended *en masse* because they were ordered to do so.

In the meantime General Perón's campaign against *agio* (speculation) continues apace. Every day the papers carry lists of arrests; and accommodation in Buenos Aires being now exhausted, prisoners are being sent to country gaols. The era of the concentration camp may not be far away.



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THE BUSINESS WORLD

The Houses in Between

BRITAIN'S housing programme since the war has been concerned entirely with adding to the country's total accommodation—increasing the existing "stock of dwellings." Mr Macmillan has already given notice that slum clearance is next on the agenda. But when the shift of emphasis in housing comes it is essential that the whole stock of houses shall be taken into consideration, rather than just "the two ends"—new houses and those fit only for demolition.

While households multiply—there are 13 million of them against 10 million twenty years ago—houses decay. The most generally accepted estimate of the age-distribution of the houses in England and Wales is that of the late Dr M. J. Elsas. His figures, with houses of recent construction, may be given in a simplified table:

Number of dwellings built:	
Before 1851	2½ million
1851-1881	1½ million
1881-1911	2½ million
1911-1941	4½ million
1941-1953 (new dwellings)	1 million
Total	12 million

No one would suggest that all the houses built over a century ago deserve to be demolished: that would condemn all historic buildings. But it is clear that a sizeable proportion of these are no longer fit to live in.

In various eminent quarters the rate at which dwellings are becoming unfit for habitation has been put at 200,000 a year. Perhaps this is too high. But it is fair to assume that three of the four million dwellings that were built before 1881 will have reached the end of their useful life before 1981; that would imply a demolition programme of 100,000 dwellings in each of the next 30 years. The number of houses already unfit for habitation has recently been estimated at two million; if this figure is accepted—and it represents an average of 150,000 for each of the thirteen years since 1939—the total of houses marked for demolition exceeds the total of postwar houses.

But between the two million houses that may be fit only for demolition and the million and a half new dwellings provided since the war there are 8½ million dwellings that deserve at least as much consideration. Of these, there are perhaps five million old houses, built before the present century, that will have to remain in use for another thirty years. Nearly half the population live in them. Unless there is to be an increasing social gulf between those who live in these "houses in between" and the fortunate tenants of modern local authority dwellings, the old houses must not merely be repaired: they must be brought up to an acceptable modern standard.

What is the state of these houses? The table below is drawn from preliminary samples of the 1951 Census. These set out the provision of certain minimum household facilities by reference to the number of households—of which there are 13 million occupying

THE STATE OF BRITAIN'S HOUSES
Single household dwellings (England and Wales)

	Shared	Entirely without	Shared or without	
			Number	Percentage
Piped water....	339,400	692,000	1,031,400	9
Cooking stove ..	53,800	189,200	243,000	2
Kitchen sink ...	85,000	659,800	744,800	7
Water closet ...	464,900	994,900	1,459,800	10
Fixed bath.....	94,200	4,034,000	4,128,200	37

12 million dwellings. Eleven million households occupy single-household dwellings; it is to these that the table refers. It includes five out of the sixteen points of fitness for habitation recommended (as a standard to be aimed at) by the Mitchell Committee in 1946. A house improved to such standards, the committee held, should bear comparison with a new dwelling, without including any item that might be regarded as a luxury.

The modernising of old houses not yet due for demolition presents three groups of problems—technical, financial, and administrative; and the technical aspect of housing improvement, at least, is now receiving increasing attention. Two important experiments in this direction are at present being conducted by firms of ironfounders. At Stockton-on-Tees, Allied Ironfounders Ltd., have acquired four two-bedroomed terrace houses. These houses are 73 years old, and contain four rooms (two up, two down), scullery, outside WC, coal shed and back yard. There is no piped hot water, and only a cold tap at the scullery sink.

A bathroom with a fixed bath and hot and cold water is being built in the back yard of these houses, leading off the existing scullery, and itself leading to a new separate WC. The scullery has a sink and drainer unit, with hot and cold water, and a ventilated food cupboard. There is space here for a gas cooker, but it is expected that cooking will be done at the modern combination grate that is being installed in the living room. This grate—which replaces an obsolete kitchen range—heats a hot-water tank installed in a new airing cupboard in the back bedroom. The estimated capital costs of this work are :—

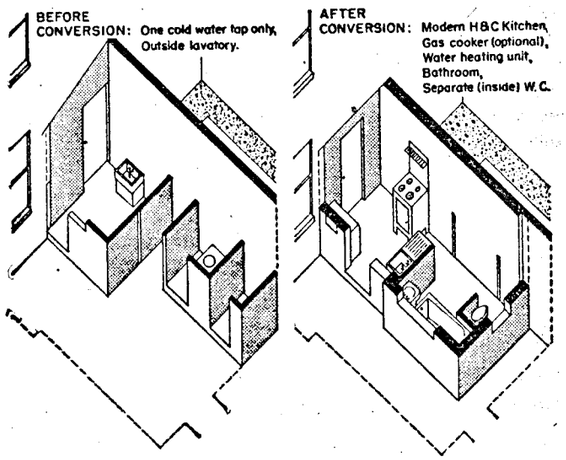
	£	s.
Building work	159	0
Plastering	22	0
Electric light	8	0
Bath and general plumbing	95	0
Combination grate	33	0
Roofing	30	10
Reinstatement of road	2	10
Total cost	£350	0

The other experiment, by Federated Foundries, Ltd., is being undertaken at Croydon, where six adjoining houses, let at inclusive rents of from 10s. 8d. to 15s. 11d., have been purchased by the company. Here again there are no bathrooms or running hot water. Three plans for improvement have been drawn up; one for a built-on bathroom; another, which is cheaper, for converting a third bedroom into a bathroom; and the third, cheapest of all, for installing a bath in an existing room or landing. In each case the water will be heated by a solid fuel fire with a back-boiler.

A third example of housing improvement is provided by a housing society which is improving cottages at Letchworth. In this scheme, back downstairs rooms are being divided to provide a separate bathroom and kitchenette, as well as dining space, and hot water is provided from an independent boiler. The cost ranges from little over £200 per cottage, where no building-on is needed, to rather more than £300, and the work is done by direct labour to plans prepared by the society.

Lastly, improvement schemes sponsored by the Northern (Northumberland and Cumberland) Division of the National Coal Board have been carried out in four mining villages in the Division. Here running water has been laid on, and a hot-water system, operating from a modern solid-fuel cooker, has been provided. The cost of this work has been less than £100 per house; this must be regarded as the minimum cost of a very simple improvement scheme.

These and similar experimental schemes are already providing useful experience of the technical difficulties. Is it practicable—and economical—to provide main space and/or water heating by gas or electricity, or desirable to encourage more solid-fuel cooking by installing a modern solid-fuel appliance that can take care of the space and water heating as well as the cooking? Might space and money be saved by installing a shower and/or an American type water tub instead of the traditional English type bath? These technical problems—of which these are two obvious examples—will vary from house to house: but they may be simplified where large groups of houses of identical original design—of which the rows of terrace houses in many



industrial towns are a good example—can be handled in one scheme.

Financial and administrative difficulties may be greater. Under the Rent Restriction Acts, many landlords are unable to pay for basic repairs out of rents, much less improvement schemes. Under the Acts, they may increase the annual rent by 8 per cent of the cost of any improvement work, given the tenant's consent. The schemes at Croydon and Letchworth are of such a kind. At Letchworth the effect has been to increase the inclusive rents from 10s. 6d. to 21s. per week. This method avoids any charge on local authority or Government funds, but many landlords have insufficient capital to proceed with it; it may, however, have attractions for corporate house owners who desire to protect and improve their investment.

The Improvement Grant scheme embodied in the Housing Act, 1949, offered an alternative solution.

Applicants have to put forward schemes for the approval of local authorities; before they approve any scheme for a grant (of up to 50 per cent) the local authorities must be satisfied that the dwellings will provide satisfactory living accommodation for 30 years, and that they will meet the fairly stringent fitness conditions laid down by the Mitchell Committee. The cost of the work has to lie between £150 to £800; the

THE COST OF IMPROVING HOUSES

Total cost of improvement	Permitted increase in weekly rent	
	With improvement grant	Without grant
	s. d.	s. d.
£100	...	3 1
£150*	1 8½	4 7½
£200	2 3½	6 1½
£300	3 5½	9 2½
£400	4 7½	12 3½
£800*	9 2½	24 7½

* Minimum and maximum costs for improvement grants.

owner must hold either the freehold of the property or a lease with at least 30 years to run. Many landlords have hesitated to undertake the obligations that the scheme involves or to spend money on drawing up improvement applications that might not be accepted; but perhaps the most serious handicap to the grants scheme has been the indifference or hostility of local housing authorities, who have complete freedom to reject any application for grant.

For the tenant, improvements under the grant scheme are preferable, for his rent can be increased only by 6 per cent of the landlord's share of the costs. But few landlords can be expected to incur a capital commitment which can be barely amortised by the 6 per cent increase in rent—and improvements such as piped hot water supply add to the potential burden of normal repairs over the 30 years' future life of the house. In the Stockton experiment the local authority has agreed to make a 50 per cent improvement grant. The net cost to the owners is estimated therefore at £175 per house and the tenants' rent will be increased by 4s. per week; their present rent is 5s. 3d. per week (unaltered since 1921) plus 3s. 7d. rates. Rent increases of up to 10s. a week, on very low previous rents, appear to be acceptable to tenants (as at Letchworth). If this attitude is general, some substantial grant-assisted improvement schemes ought to be possible, if landlords could be given some slight further incentive.

Annual capital investment on housing cannot for much longer be allowed to increase at the present rate. On the other hand, the slums must be cleared. The capital investment needed to provide modern amenities for an old house is but a fraction of that required to secure a new house of equivalent accommodation. Some redeployment of the country's limited capital resources, to provide the "houses in between" with modern amenities, is not only necessary and desirable as a welfare project; it is one of the keys to the problem of rational expenditure on housing.

The Pattern of Profits

WITH a bold sweep of their brush, and considerable reliance on guess work, the national income statisticians have recently estimated that the trading profits of all public and private companies in the United Kingdom fell by £179 million, or 7 per cent, in 1952; but that as the price levels of their stocks broadly stood still and the volume of stocks (in the hands of industry at any rate) fell slightly, companies as a whole secured a considerable accretion to their liquid funds. The accounts of the 523 public companies that were published in the first quarter of this year cover a period that corresponds broadly with the calendar year 1952. How far do they tell a similar story to that of the national income White Paper, and how far do they supplement it by showing which industries suffered the sharpest setbacks and which industries continued to gain?

At first sight the figures thrown up by the analysis of these 523 accounts do not tally very closely with the estimates in the White Paper. Total trading profits reported by these companies fell by a fraction of one per cent (compared with the White Paper estimate of 7 per cent) and their total income rose by £5½ million, or 1.7 per cent; at the same time the book value of stocks held by these 523 companies rose by nearly £13.8 million, or 2.3 per cent. These figures, however, include the separate accounts published last quarter by twenty nationalised steel companies. If these steel results are excluded, trading profits of the 503 companies in private ownership show a fall of £22 million, or 8½ per cent and their stocks fell by £6.7 million or 1:3 per cent. This is a reasonably close approximation to the White Paper estimates.

The correlation does not end there. Interest and dividend payments to non-corporate shareholders were shown in the White Paper to have risen by £56 million, or 5.9 per cent in 1952. The published accounts of the 523 companies show that total payments of debenture interest, preference dividends and ordinary dividends rose by 5.7 per cent; within this total, equity payments rose by £2.2 million to £35.7 million, or by 6.6 per cent. There is, admittedly, a discrepancy between the changes in corporate taxation revealed by the two analyses. In the White Paper, corporate tax payments and provisions were shown to have fallen by £38 million to £1,073 million (or by 6.3 per cent); by contrast, tax provisions shown in the 523 accounts published last quarter increased by £4.4 million to

£155 million (or by 2.9 per cent). This discrepancy, however, may merely reflect differences in timing and in the definition of tax payments and provisions.

One more important parallel must be drawn before any details can be filled in. Perhaps the most striking feature of the national income estimates was that they showed that companies and private businesses, encouraged by the readier supplies of raw materials to work with a lower level of stocks and actively deterred from adding to their working capital commitments by higher interest rates, had substantially reinforced their liquid resources in 1952—after having sadly depleted them in the previous year of inflation. There is, of course, no exact basis of comparison in company accounts for the "savings surplus" of £607 million shown for companies, corporations and private individuals in the White Paper; for one thing, the White Paper's definition of companies in this context necessarily includes the banks. But, for what it is worth, the 523 balance sheets analysed here show that the total of net cash assets (that is the total of cash, gilt-edged securities and other quoted investments, less bank overdrafts and loans) rose by £22 million to nearly £310 million, or by 7.7 per cent; the 475 balance sheets published in the first quarter of 1952 showed a decline in net liquid assets of over 10 per cent.

TRADING PROFITS AND STOCKS
523 Companies, reporting January-March, 1953.

	Trading profits			Stocks		
	Previous Year	Latest Year	Per-centage Change	Previous Year	Latest Year	Per-centage Change
	£'000	£'000	%	£'000	£'000	%
Consumption Trades :—						
Breweries	6,245	6,555	+ 5·0	6,286	6,753	+ 7·4
Clothing and footwear	7,745	5,202	−32·8	21,091	16,285	+22·8
Entertainment	1,711	2,046	+19·6	585	659	+12·6
Food and confectionery	12,777	13,471	+ 5·4	25,162	26,701	+ 6·1
Hotels and restaurants	875	595	− 3·2	606	595	− 1·8
Shops and stores	28,187	30,985	+ 9·9	22,587	22,547	− 0·2
Tobacco	31,696	29,890	− 5·7	144,664	134,714	− 6·9
Total	*89,236*	*88,744*	− *0·5*	*220,981*	*208,254*	− *5·7*
Capital Industries :—						
Building	4,312	3,916	− 9·2	5,460	5,202	− 4·7
Engineering	11,419	14,869	+30·2	27,939	32,253	+15·4
Iron and steel	47,847	69,139	+44·5	70,612	91,115	+29·0
Shipbuilding	139	122	−12·2	780	787	+ 0·9
Total	*63,717*	*88,046*	+*38·2*	*104,791*	*129,357*	+*23·4*
General Industries :—						
Chemicals and paint	5,188	3,672	−29·2	6,731	5,690	−15·5
Electrical manufacturing	18,004	20,999	+16·6	56,522	70,386	+24·5
Motors, cycles and aircraft	14,624	19,199	+31·3	34,031	40,168	+18·0
Newspapers, paper and printing	22,788	14,558	−36·1	27,557	28,268	+ 2·6
Miscellaneous manufacturing	47,384	41,512	−12·4	74,430	76,033	+ 2·2
Total	*107,988*	*99,940*	− *7·4*	*199,271*	*220,545*	+*10·7*
Textiles :—						
Cotton	11,709	4,084	−65·1	23,446	18,426	−21·4
Silk and rayon	1,193	197	−83·5	5,183	3,159	−39·1
Wool	7,382	5,658	−23·4	25,385	18,308	−27·9
Other textiles	8,263	5,979	−27·7	13,079	9,800	−25·1
Total	*28,547*	*15,918*	−*44·2*	*67,093*	*49,693*	−*25·9*
TOTAL, All GROUPS*	305,048	304,329	− 0·2	605,521	619,282	+ 2·3

* Including utilities and services, fuel, financial and trust companies, rubber and tea.

The usual quarterly analysis of profits and balance sheets will be published in next week's issue of the *Records and Statistics* supplement.

The broad impression in both analyses is, therefore, one of stable profits and of hard-won elbow room. But in the words of Robert Bridges, "stability is but balance"—and the apparent stability of profits last year was only attained because sharp increases in earnings in some industries were balanced by equally sharp declines elsewhere. These divergences are clearly apparent from the accompanying table, which analyses profits and stock values in different industries. It is fortunate that they are broadly consonant with Britain's long-term economic health. By far the biggest increase in earnings and in stock values has been recorded in the capital goods industries. Companies in this group have reported a rise of over 38 per cent in profits and of over 23 per cent in stock values. Within this group it is the nationalised iron and steel companies that have reported the biggest increases, as was to be expected after the estimate in the Economic Survey for 1953 that production in the metal manufacturing industries increased by 2.4 per cent in 1952. In this group, too, engineering profits are up by over 30 per cent, although profits reported by shipbuilding and building companies have fallen—a fall in which the uneven incidence of maturing contracts may have played its part.

The profits of all the other main industrial groups have fallen. In the consumption trades increased profits reported by breweries, by entertainment businesses, by stores and the food trades have been more than offset by the recession of profits in the textile industry. Trading profits published by the textile companies in this analysis have fallen by 44 per cent and the book value of their stocks by nearly 26 per cent—declines that accord with the Economic Survey's estimate of a fall in production in the textile and clothing trades of 14.6 per cent during 1952. The plantation companies, particularly the rubber producers, have suffered an even sharper setback, but here the downward swoop in prices has played the dominant role. Elsewhere earnings have also been on the ebb, but the fall in earnings of 7.4 per cent in the group classified as "general industries" is due in the main to the recession in the paper and chemicals and paint trades. The industries in this general group that can be classified as durable goods producers rather than consumer trades—the electrical equipment manufacturers and the motor, cycle and aircraft companies—have continued to do well; they have reported increases of between one-sixth and one-third in both profits and stocks.

The general pattern in the last year has, therefore, been that most producers of capital goods have shown

increases in profits, while many of the consumer goods trades have taken quite hard knocks; this may provide some encouragement towards the movement in resources that Britain needs. Last year's change in pattern appears even more reassuring when it is remembered that windfall gains on inventories contributed only a small part towards the higher profits of producers of capital goods; where an increase in stock values has taken place—as in their case—it seems attributable to an acceleration in the tempo of production and of work in progress rather than to increases in prices. As the delivery of raw materials became quicker and more reliable last year, companies with fat order books—but only they—became more willing to step up production. And there are some signs, which the increases in stocks held by the capital goods producers do nothing to contradict, that manufacturers in many fields have discovered that they can gear their output to a lower level of investment in working capital than they would have thought necessary a year ago. There are also early indications that the rise in profits on which Mr Butler is by implication counting as a support to his Budget policy will be forthcoming—so long as no rough winds start to blow across the Atlantic.

Business Notes

BEA Comes to Market

THE queue-marshals who regulate the admission of borrowers to the gilt-edged market have been kinder to the British Electricity Authority this time than on some former occasions. Both this year and last, the BEA's entry has been delayed until after the Budget, although on both occasions its borrowings from the banks had long been mounting to very high levels. Last year's delay, though not necessarily the responsibility of the marshals, had the effect of making the BEA the first gilt-edged borrower after the increase in Bank rate to 4 per cent—and the first to have to concede a flat yield beyond that figure, actually almost 4 5/16 per cent. This year the delay has worked the other way; through many weeks in which the authority's indebtedness to the banks had been rising to levels that cried urgently for funding—it had reached £92 million by March 31—the gilt-edged market has been gaining strength. The Budget gave it a further lift, so that by Monday afternoon, before the new issue was announced, last year's stock—the 4½ per cent, 1974-79—stood at just over 100 13/16 net, compared with 100⅛ before the Budget and 98⅞ three months ago, and offered a redemption yield of £4 4s. per cent. Hence the new issue, which proved to be a further tranche of last year's stock, could be offered at par, compared with 99 last year, and thus afforded both flat and redemption yields of 4¼ per cent.

The "turn" conceded was therefore adequate but not impressive. It sufficed to bring the price of the existing stock down by ⅜, but although the rest of the market faltered, there were still some notable net gains on the day. This firmness has been well maintained since, to the accompaniment of "recession" talk that is diverting buyers from the equity markets into gilt-edged. Hence, when the lists were closed at 10.30 on Thursday morning, it was taken for granted that the "departments" had had to subscribe for a notably smaller share of the £125 million offered now than the massive proportion that went to them from last year's £150 million. Meanwhile, the gilt-edged borrowers, strictly so-called, are not the only ones to reap advantage from the now quite widespread assumption that the trend of interest rates is more likely to be downwards than upwards. The effect of this changing view has been clearly demonstrated in the terms of the £3 million debenture issue by Tate and Lyle, the lists for which will open on Monday. The days of "coupon" rates of 5 per cent for first-rate stocks are gone; the Tate and Lyle stock, dated 1968-78, carries 4¾ per cent, though its price is 98½, and thus offers a redemption yield for the full period, of £4 17s. per cent.

These assumptions about the future of interest rates take a good deal for granted. Moreover, they are not strictly in line with the caution shown in the budget speech, when the Chancellor opined that the present pattern of monetary measures would need to be maintained this year. On the other hand, those in the City who are now so worried about the financing of the Chancellor's "overall" Exchequer deficit seem to have left out of account some of the economic premises that underlie the Chancellor's budgetting—for Mr Butler is counting on savings, largely from industry, to see him through.

Second Thoughts in Industrials

THE implications for industrials are perhaps more clearly seen. But investors generally have not, so far, demonstrably endorsed Throgmorton Street's first assessment; and, lacking this support, equity prices this week have fallen back. The extent of the reaction, however, owed a good deal to technical influences; quite a large bull position

had been built up by professional dealings. Hence, on Tuesday, the last day of the Budget account, some dealers found it quite expensive to sell for the old and buy for the new account. In the equity markets, of course, the influence of "peace" talk and of other possibilities that might dampen down world demand, is clearer and more direct than in gilt-edged; and it has become more apparent as a market factor since President Eisenhower's speech and the beginning of

GILT EDGED AND EQUITY SHARE PRICES

	June 24, 1952 (a)	Dec. 31, 1952	March 6, 1953 (b)	April 14, 1953 (c)	April 15, 1953	April 22, 1953
Gilt Edged†						
2½% Nat. War Bds., 52/54	98⅛	99⅛	99⅛	99⅛	99⅛	99⅜
3% Ser. Funding, Nov., '55	...	100⅛	100⅛	100⅛	100⅛	100⅜
2½% Nat. War Bds., 54/56	95⅜	98⅛	98⅜	99⅛	99⅛	99⅛
3% Sav. Bds., 55/65	86	91⅛	93⅜	93⅜	94⅛	94⅛
2½% Funding, 56/61	85⅛	92⅛	95⅛	95⅛	95⅛	95⅜
3% Sav. Bds., 65/75	77⅛	82⅛	84⅛	85⅛	85⅜	86⅛
4½% Elect., 74/79	97⅛	98⅛	99⅛	100⅛	100⅛	100⅛
3% Transport, 78/88	72⅛	77	79⅛	80	80⅛	81⅛
3% Gas, 90/95	72	76⅛	78⅛	79⅛	80⅛	80⅛
3½% War Loan, after 1952	72⅜	77⅜	78⅜	79⅛	79⅛	80⅛
2½% Consols	55⅛	58⅛	60⅛	59⅛	60⅛	60⅛
2½% Treasury	53⅛	57⅛	58⅜	59⅛	59⅛	59⅛
Industrial						
Assoc. Electric, £1	69/6	76/3	79/6*	77/6	80/6	79/9
British Motor, 5/-	28/4½	6/1½	6/6	6/9	6/10½	6/6*
Courtaulds, £1	31/3*	38/6	42/6	40/3	40/7½	38/9
Guest, Keen, £1	48/6	51/-	54/-	52/6	53/-	51/4½
Hawker Siddeley, £1	31/9*	37/7½*	41/3	38/7½	38/10½	36/10½
Imperial Chemical, £1	42/-	44/4½	48/10½	45/9	45/9	44/3
Leyland Motor, £1	80/-	88/3	94/4½*	88/1½	91/10½	90/6
Unilever, £1	41/10½	46/-	47/6	48/-	48/9	48/-
Vickers, £1	40/6	44/10½	48/-	48/10½	49/6	47/6*
Woolworth, 5/-	39/-*	44/3	51/10½	53/-	54/-	53/-
Financial Times Ord. Share Index	**103·1**	**115·8**	**125·0**	**122·8**	**124·6**	**120·8**

† Net prices. * Ex dividend. (a) Midsummer low. (b) Death of Stalin. (c) Budget eve.

the exchange of prisoners in Korea. Hence it is virtually impossible to guess how far this week's behaviour in the markets reflects second thoughts on the budget itself.

The wider and less tangible influences have in any case been communicating themselves to the London market also through the jittery tone of Wall Street and the weakness of metal prices. Altogether, the pre-budget calculations of the market professionals have gone much awry. The staid ordinary share index of *The Financial Times*, which jumped two points to 124.6 on the day after the Budget, had fallen by the close on Wednesday to 120.8, or 1.8 points below its level on Budget eve.

Thumbs Down from America

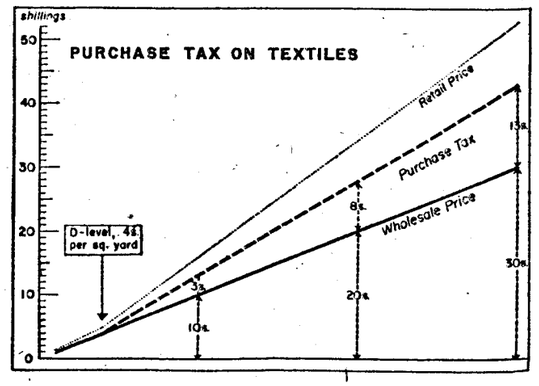
THE "plan" hatched at last December's Commonwealth Conference has now become even more firmly embedded in the American mud. The Eisenhower Administration's reaction to its discussion with the recent OEEC mission and its unhappy manœuvring in the case of the Chief Joseph Dam combine to tell as depressing a story as has come out of Washington for many years. The OEEC mission crossed the Atlantic to present, in effect, a tentative and "Europeanised" version of the Commonwealth's plan—with the advantage that the eventual

advance to convertibility would be a combined European operation, but the disadvantage that the pace of advance would necessarily be slower than if sterling had gone forward alone. Any such advance would have to be preceded by the same changes in procedure at the International Monetary Fund and in foreign economic policy in America that Mr Eden and Mr Butler had asked for at their ill-fated visit to Washington in March. The OEEC mission therefore apparently asked the Americans for specific reforms in the fields of commercial policy, of foreign investment and (rather more vaguely) of stability of raw material purchases.

The communiqué issued in Washington at the end of last week suggests that the Americans' answer was an extremely dusty one. The Americans agreed with the OEEC mission about the theoretical desirability of some advance to a new world payments system and about the need for sound internal economic policies. They emphasised that they would like to see Europe increase its exports to "third countries," by which they meant countries other than their own. But they declared that Mr Lewis Douglas was now engaged in a long-term study of the way in which their own foreign economic policy should move; and that they were not willing to do anything until the results of that study were known. So there is no single portent in the trade outlook to give Britain encouragement in the near future—no certainty of the continuance of the limited degree of liberal trade policy that the United States has pursued in recent years, and no plausible hope of real reform in Customs procedures and the "Buy America" act.

Lancashire Aggrieved

THE textile industries did well out of Mr Butler's first budget and have been disproportionately disappointed to get no concessions at all out of his second. For the past ten months, they have enjoyed specially favourable rates of



purchase tax of 25 per cent on clothing and 50 per cent on piece goods. They feel now these rates have been extended to other consumer industries that the "exceptional nature of the textile case" should continue to qualify for special treatment. The Chancellor has taken an opposite

view; it would have been surprising had he done otherwise. Last October the cotton, rayon, silk, nylon and linen industries joined under the leadership of the Cotton Board to put their case for tax relief to the Chancellor. They argued that the "D" scheme, which imposes purchase tax only on part of the wholesale price and not—as for most other goods, and, under the former utility scheme for textiles—on the total wholesale price, had been doing serious harm to the industry. A formidable volume of evidence was marshalled to show that quality goods, which are some of the principal export lines, were being taken out of production as a direct result of retailers' and customers' refusal to buy goods attracting purchase tax.

It is difficult to believe that the "D" scheme of itself is to blame if the goods in question are no longer selling as well as they did. The accompanying chart shows the amount of tax payable on a non-wool cloth. At a wholesale price of 4s. a square yard, such cloth pays no tax at all and probably bears a retail price of 4s. 9d. At 5s. a yard, 6d. tax is payable and the retail price might be 6s. 8d. The tax becomes heavier as the cloth becomes more expensive—a plight common to all goods assessed for tax on the basis of their value. But probably the great majority of Lancashire cloths are sold—with tax—at less than 25s. a yard retail; this corresponds to a wholesale value of 15s. on which the purchase tax under the "D" scheme represents little more than an effective rate on the price of the cloth of 33⅓ per cent. When the cloth is made up into clothing, the garment pays tax above the "D" level only at the rate of 25 per cent.

Many retailers report that since the "D" system was introduced, customers have paid less regard to the tax element in the retail price of textiles, and that they themselves pay little attention to the relatively small sums involved in all but a few lines. They argue, moreover, that since the slump in home sales last year, the tendency has been to "trade up"—to improve rather than to lower the quality of the stock carried. There appears to be some conflict on the manufacturers' belief that purchase tax is the reason why goods are difficult to sell. May not the difficulty be due partly to one product of the slump—a more discriminating home market?

Shortage of Cheap Steel Plate

SINCE the war, production of steel plate in Britain has been rising—more steadily and to a greater extent than the total production of steel. Last year deliveries were about 2.2 million tons—33 per cent higher than in 1947. Nevertheless, a shortage of plate is today almost all that remains of the 1951-52 steel shortage, and this has been the main reason why the Minister of Supply has delayed so long in bringing the steel allocation scheme to an end. This week Mr Sandys announced "a voluntary scheme under the guidance of the Government" by which the steel industry will establish a clearing house for plate requirements. This measure admits the obvious—that allocation of steel in general is of no use whatever in dealing with special shortages of particular products. It should enable the Minister at last to get rid of the now largely meaningless allocation scheme—a control that during most of its existence seems to have done more to aggravate than to alleviate the real shortage of steel.

Plate is short today partly because more industries than before are consuming it and partly because the largest consumer, shipbuilding, is consuming much more of it. The programmes of capital investment in oil refineries, chemical works, boilers for power plant, railway wagons, and recently rearmament, all at the same time, have together greatly increased demand. Shipbuilding, which takes something over a quarter of the total tonnage of plate, has been extremely busy; moreover, since the war its pattern of demand has altered. A ship in which the proportion of plate to other steel required was formerly about two to one may now require about four tons of plate to one of other steel products. Demand here has followed technical change; the corrugation of plate for strength in bulkheads, the use of flanged plates instead of angle sections, and the construction of new welded structures instead of heavy castings have all made for the use of more plate.

Plate-rolling capacity has been supplemented by the rolling of light plate on the strip mills and by the extension and modernisation of existing plate mills. The steel industry has not installed a new plate mill, and though various additions to existing capacity are proposed over the next four years, no new mill is planned; it simply does not believe that long-term demand would justify one. Very few shipbuilders, it is worth noting, have taken advantage of the freedom to import steel allowed since last year. Despite their heartfelt complaints over their shortage, they have not been prepared to pay perhaps £10 to £25 a ton extra for foreign plate. For British steel prices, compared with the world level last autumn, may have amounted to a subsidy of £30,000 to £70,000 in the cost of a ship.

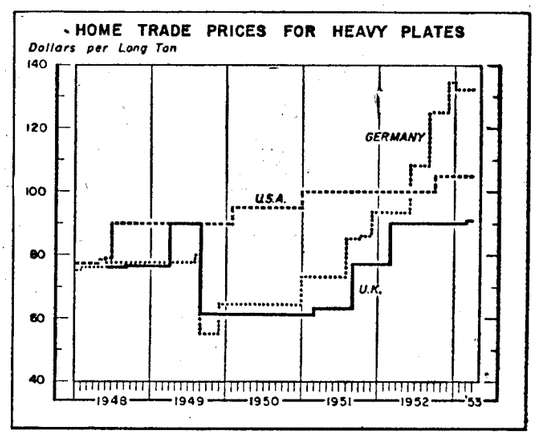
Price Stability and Steel

UNDER Government influence, the British steel industry since the war has pursued a policy of controlled and stable prices. Such a policy leaves little alternative but some form of rationing to deal with the results of fairly rapid changes in demand, such as the current shortage of steel plate. Indeed, the whole policy is based upon the belief that the demand for steel, like the capacity to supply it, is fairly unresponsive to price changes, at least over a considerable area of demand. The way in which the British price of plate has been held fairly stable, instead of being allowed to respond freely to increasing demand, as on the Continent, or to a more limited extent in the

QUARTERLY ECONOMIC REPORTS are now available on nearly seventy countries. These reports give information and opinion on matters of concern to exporters and investors; they are concise and have comprehensive statistical sections. A descriptive leaflet may be obtained from The Economist Intelligence Unit, 22 Ryder Street, London, S.W.1.

United States, is shown in the accompanying chart. The expansion of British steel capacity, at the same time, is planned in accordance with the industry's estimates of long-term demand; in plate, for example, these estimates justify considerable additions to existing rolling capacity, but not the laying down of a new mill—which in any case could not be ready in less than four to five years.

Broadly, the control councils of the steel industry have been in agreement with this policy of stable prices; the major responsibility for administering the complex centrally managed price system that goes with it has perhaps always rested with the British Iron and Steel Federation, subject to Government agreement. In its current *Statistical Bulletin*



the Federation lucidly, if rather guardedly, discusses British price policy. Where prices do not depend upon demand, they must be constructed from costs (though the costs that may be selected, as Mr Robert Shone has commented elsewhere, remain open to choice). The federation is today concerned in particular with the allowance for capital charges included in the gross profit margin fixed for heavy steel products. In current prices, this figure is about £3 a ton; but capital charges on a new and efficient plant built now would cost about £10 a ton. In most cases, the difference exceeds the saving in operating costs from the higher productivity of a new plant. Formally, this would suggest that replacement might not pay; it is perhaps more likely to curtail expansion. A price review, as the federation comments, is overdue.

British steel is certainly cheap by international standards. Even so, the current market prospects for the steel-consuming industries may suggest that this is rather a delicate time to be asking, on grounds of principle, for an increase in steel prices—and one that would considerably enhance the earning power of the companies about to be devested and simplify their needs for further capital. The request, certainly, is entirely in line with the ruling policy of price management. An indication of the federation's reaction to any decline in demand is contained in its suggestion that maximum prices in the boom might logically be complemented by minimum prices (perhaps co-ordinated with the United States and Schumania?) in "periods of slack trade." It would be interesting to learn the Government's reaction to this quite logical extension of a policy to which it is firmly committed. Those who are not so committed may regard the argument with some reserve.

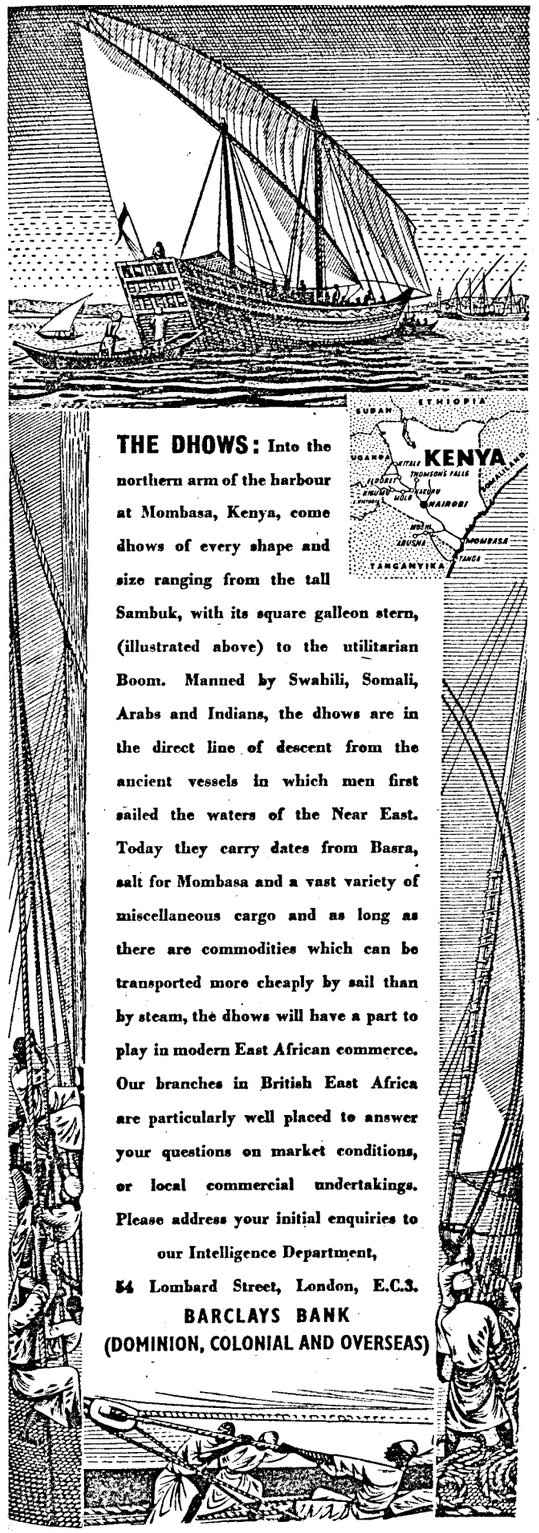
Freeing the Grain Trade

THE grain trade is now busily engaged in loosening up for the restoration of private importing next month. Traders have been filing their applications for open general licences that will cover the period from next month to the end of June, 1954. Some advance business in cargoes of cereal feeding stuffs to be shipped from the St Lawrence has already been reported on the Baltic. But pending the revival of proper facilities for "hedging," trading in grains is likely to be restricted. Before the war there was dealing in grain "futures" on the Baltic, but the main terminal market was in Liverpool. The full re-establishment of hedging facilities must depend, of course, upon the restoration of adequate foreign exchange and credit facilities. In present circumstances the satisfaction of both conditions, particularly the first, presents difficulties, but it remains as true as ever that "hedging" facilities are an essential adjunct of a freely functioning market in basic foodstuffs and raw materials.

Meanwhile, it seems far from certain that the new International Wheat Agreement negotiated after months of travail—and signed, after the defection of the British Government, by a bare quorum of the importing countries—will in fact come into force. After Major Lloyd George had made it clear that the British Government had finally burned its boats and would not recant and sign at the eleventh hour, the Australian Minister of Commerce stated that Australia reserved the right, before final ratification, to reduce her quota of 75 million bushels if countries that provide "traditional markets" for her wheat did not become parties to the agreement. It is understood that Canada will make the same reservation. In those circumstances, and in view of the probability that the exporting countries will have an aggregate carry-over of approaching 1,000 million bushels at the end of the season, it is hardly likely that the importing countries that did sign retain much enthusiasm for the Agreement.

Plans For a Copper Market

THE pace of events leading to the freeing of the copper market has recently been gathering momentum, and it now seems likely that the market will be opened by or before next autumn. Earlier this month the Ministry of Materials took the first step towards ending the present system of bulk purchase, when it informed the Rhodesian copper producing companies that it wished to reduce from six to three months the period of notice required to end the present arrangements under which it buys their output in bulk. This week the companies formally accepted the Ministry's amendment. The price paid by the Ministry under the existing agreement—at present £268 a ton—can be changed without any such notice being given. Negotiations have recently been taking place between the Ministry and the companies for a substantial reduction in this price, and these should enable the Ministry to effect a speedy cut in the price of £280 a ton (inclusive of freight and other charges) that it



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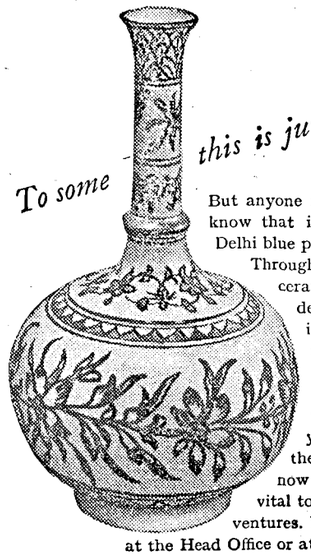
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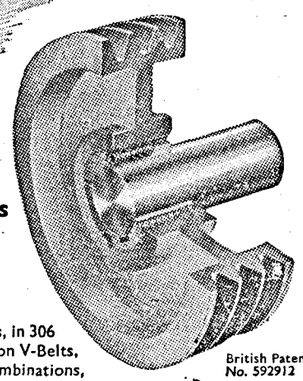
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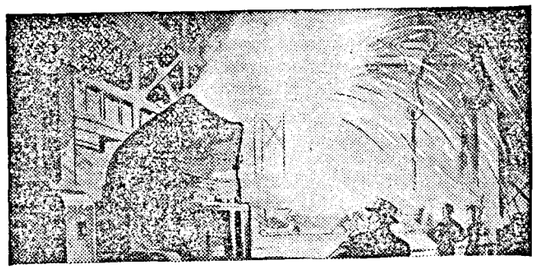
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has been charging United Kingdom consumers. That selling price of £280 a ton is about £40 higher than the price quoted in the free market on the Continent and its reduction has long been overdue.

Meanwhile, a great deal of hard thought is being given in the Ministry of Materials, the Bank of England and Metal Market circles to the problem of admitting copper to the list of metals in which free dealings can take place. The problem presents greater difficulties than in the case of tin and other free metals, for there is a substantially larger dollar element in the world production and trade in copper. But some observers hope that the Ministry may feel able to give the necessary notice of three months to the Northern Rhodesian producers in May; if so it would be possible to allow free dealings to start early in August. The relevant exchange control arrangements will probably follow however the same lines of those made to accommodate the restoration of free dealings in tin, rubber and other commodities, though greater restrictions may have to be applied in order to thwart the greater opportunities that the copper market would enjoy for undesirable conversion of sterling into dollars—and also, incidentally, as a recognition of the greater strategic significance of copper. But one of the earlier arguments against restoring freedom to the copper market, namely the scarcity of supplies, has largely disappeared in the last few months; one sign of this is that arrangements have lately been made to allow the Rhodesian copper companies to sell part of their output on the Continent of Europe. Freedom will, therefore, clearly not be long delayed.

Increase in Imports

THE continued recovery in the sale of cars to the United States and Canada is one of the brighter aspects of the detailed trade figures for March; on the whole, these figures, which show imports increasing more rapidly than exports, are not too reassuring. Total exports from this country in March amounted to £223.7 million, about £8 million more than the monthly average for January and February and roughly equal to the average for the last quarter of last year. Imports, valued at £285.7 million, were, however, £19 million more than the January-February average and the average for the last quarter of 1952—though lower than in March, 1952, before the import restrictions began to have their full effect. Volume indices are not yet available; taking into account the lower prices now prevailing, the increase in the volume of imports for the first quarter of this year compared with the fourth quarter of last year will be greater than the increase shown by the value figures alone. On the quarter, the volume of exports is likely to be about the same.

Exports of food, drink and tobacco and manufactured articles in general, and most engineering products were lower in March than a year before; but exports of iron and steel, woollen and worsted yarns and fabrics and also of raw materials were larger; in particular, coal exports rose to £4.9 million. Total exports to the sterling area seem to have been about the same in the first quarter of 1953 as in the last quarter of 1952; those to the non-sterling area fell by about 4 per cent. The increase in imports for the quarter was wholly accounted for by increased arrivals from the sterling area; imports from elsewhere were practically unchanged. Unfortunately, total British exports to Australia, although recovering slowly, are still only about 15 per cent of their value before the imports restrictions were imposed. The increase in the sale of cars to North America is marked. In the first quarter of 1953 sales to the United States rose to 9,798 compared with 4,286 in the first quarter of last year; and exports to Canada reached 5,323 compared with 548 a year before.

The Board of Trade estimates that the average level of prices paid for United Kingdom exports was lower by one point in March, but there was no change in import prices, so that the terms of trade moved one point against this country to 94. The price index for metals and engineering products declined on the month by one point; although this fall contributed to the worsening in the terms of trade, it is satisfactory to learn that in increasingly competitive overseas markets British engineering firms are managing, to some extent, to meet competition in price.

Looser Reins for Export Credits

DURING this week's debate on the Budget proposals the President of the Board of Trade announced an important relaxation of exchange controls over credit for overseas transactions. More than a year ago, as part of the return to credit discipline and of the attempt to stop loopholes for semi-commercial (but also semi-speculative) operations against sterling, the exchange control authorities started to impose stringent restrictions on the credit facilities previously available to overseas customers of British banks. This was an attempt to accelerate payments for exports from the sterling area and to prevent the substantial credit facilities of the London market from feeding speculation against sterling. One of the lessons of the recent balance of payments White Paper was that British exports are now being paid for much more promptly; the policy has therefore had a real measure of success.

The climate in the export markets has, however, changed since these restrictions were imposed, and some British exporters of capital goods have found that they have lost orders because foreign customers have demanded credit facilities for periods (sometimes up to four or five years) — that the exchange control would not sanction. Mr Thorneycroft announced this week that the government had recently reviewed exchange control policy in this context in order to ensure that, subject to balance of payments considerations, no unnecessary obstacles to exports would be erected. He declared that as a result of this review "exporters can be assured that they will be given greater freedom for granting credit terms which they wish to offer to overseas buyers." This, it should be emphasised, is not a promise of provision of the credit facilities themselves, or even of an extension of the facilities of the Exports Credit Guarantee Department, which in turn might help exporters to mobilise the necessary credit in the City of London. There is still no sound case for anything that would amount to government subsidisation of export credits; the countries that demand extravagantly long periods in which to pay for capital goods are mostly in soft currency areas, and any

indirect subsidisation of exports to them would tend to lengthen delivery dates to (and thus lose orders from) hard currency countries. But the government is clearly right in deciding to lift artificial restrictions over credit facilities that the commercial capital market finds that it can economically provide.

Off-Shore Orders

THE protracted process of allocating the dollars provided by Congress for the purchase of aircraft in Europe had by this weekend been advanced one step further with the signing of an order worth $153 million for 450 Hawker Hunters and 100 Hawker Sea Hawks, leaving similar negotiations for the Vickers-Armstrongs Swift still to be decided. The division of the $225 million ear-marked for the purchase of aircraft, between competing British and European manufacturers, has been fraught with political, strategic and aerodynamic pitfalls. The condition originally imposed by Congress, namely that deliveries should be completed by June, 1955, has been an added, and as it has turned out, unnecessary, complication. Deliveries of Humbers will not begin until 1955 and will be completed in 1956. The RAF, which already has Swifts but will not have Hunters in service before next year, may not think that it has come out of the negotiations as badly as was at one time feared.

Dollar orders for Centurion tanks to the value of $100 million that were signed earlier this year presented less difficulty because there was no obvious alternative and the tank was being produced in such a volume that deliveries could be started immediately. A further off-shore order placed in this country for an unspecified quantity of ammunition was equally uncomplicated. A good deal of military equipment, including aircraft, has also been ordered direct (without American aid) from British factories by foreign governments. The most recent of these was a repeat order for £2.5 million worth of army trucks placed by the Belgian Government with Vauxhall Motors.

Last Act for IMC?

SHORTAGES of many essential raw materials which followed the war in Korea in 1950 led to the creation, at the instigation of Britain, France and the USA, of the International Materials Conference. Its work of studying the production and supply of scarce commodities—fourteen of them in all—and arranging for the international allocation of supplies, where necessary, is now coming to an end. The Conference worked through seven committees, dealing with groups of commodities, of which only two remain. Most of the critical shortages originally within the purview of the Conference—as the second annual report of IMC records—have eased to the point where multilateral action is no longer necessary.

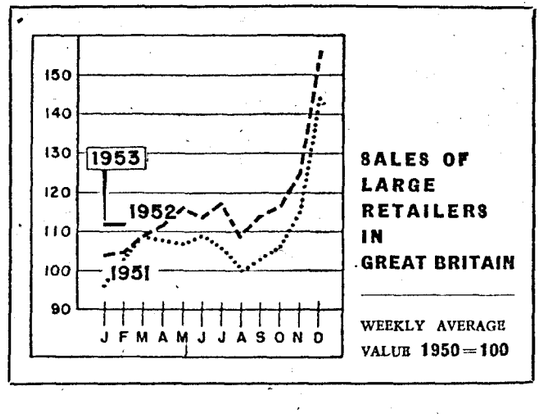
During the second year of IMC's work—March, 1952, to February, 1953—improvement in supply led to the winding up of three committees, for cotton, paper and wool; more recently the copper and sulphur committees have ceased to operate. Now only the nickel and molybdenum committee still function, but as about 80 per cent of the supply of these metals is controlled by two companies it may be found that the existence of international committees for their control is hardly justified.

The second report of the Conference states that improvement in the supply of most of the commodities with which it was concerned was due to four main causes: increased production; conservation and substitution; more orderly marketing; and levelling off in demand, especially for defence. The conference claims it has helped to make the first three of these causes effective, and there is little doubt that by collecting and publishing statistics and fixing quarterly allocations the Conference has diminished the urge and restricted the opportunities for panic buying of the scarce commodities. But if the two last allocation committees are presently wound up it will still be pertinent to consider whether, on strategic, and on economic grounds, some form of international secretariat may be desirable to continue the study of raw materials which have been, and may again become, scarce.

Courtaulds in America

AS the new rayon plant of Courtaulds, (Alabama) Inc. comes into production, Courtaulds, Ltd., its British parent, has severed its remaining ties with the American Viscose Corporation which Courtaulds founded in 1910. After the greater part of its holding in the company had been sold during the war, Courtaulds still retained 234,634 common shares in the corporation, representing 5 per cent of its capital. These shares have recently been sold for a figure believed to be in the region of $11 million. The cost of the new Alabama plant has not been disclosed, but it is certainly considerably higher than the amount received from this sale.

The new plant is expected to be in full production within a few weeks, with a capacity of 50 million pounds of viscose rayon staple a year. This will represent an appreciable



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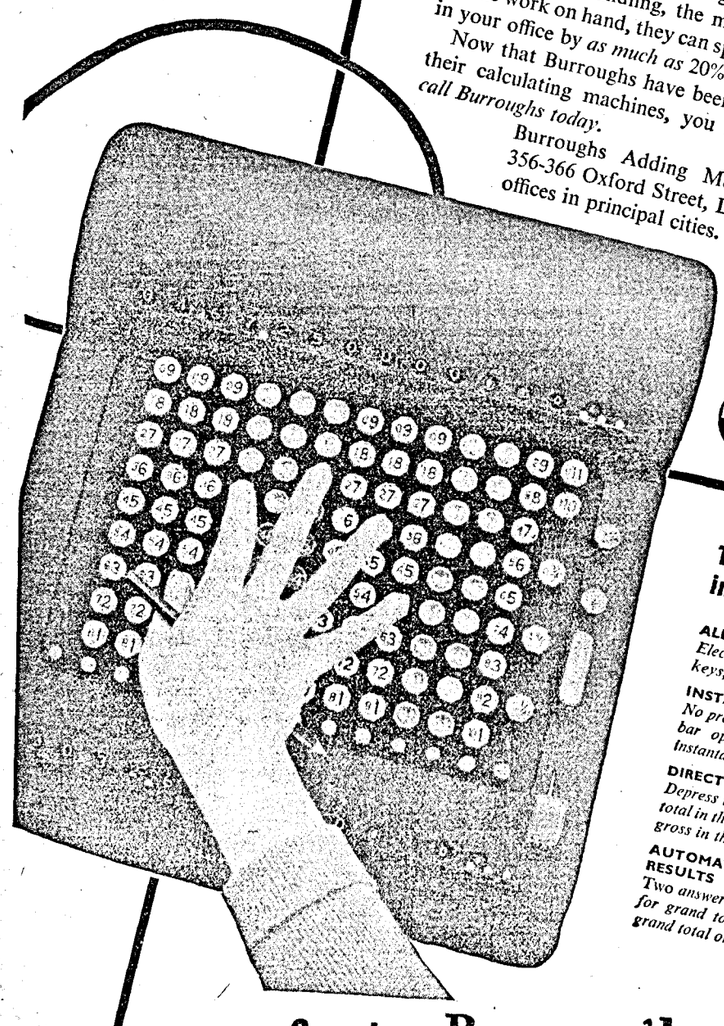
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BALANCE SHEET, 31st DECEMBER, 1952

CAPITAL AND LIABILITIES.		PROPERTY AND ASSETS.	
Share Capital—Registered 2,200,000 Shares of 5s. each, £550,000. Less 49,005 Shares of 5s. each in reserve, £12,251. Issued—2,150,995 Shares of 5s. each	£537,749	Freehold Properties and Ventures at cost less depreciation	£17,919
Investment Reserve—As per Balance Sheet, 31st December, 1951, £4,958,748—Less—Amount written off Investments and Freehold Properties after deducting the amount realised by the sale of Investments during the year less book value thereof £211,745	4,747,003	Shares, Debentures, etc., at or below cost but not exceeding Stock Exchange valuation, or Directors' valuation, where not quoted	5,972,390
Shareholders—Dividends declared but unpaid, £380,031. Contingency Reserve pending claims for dividends forfeited since September, 1939, £63,511. Trustees of the Corner House Pension Fund, £880,000. Creditors and Provisions, £365,926	1,689,468	Shares in Subsidiary Companies, at or below cost, but not exceeding Directors' valuation	42,888
Exploration Reserve—As per Balance Sheet, 31st December, 1951, £346,673. Less—Expenditure on Ventures charged thereto, £30,468	316,205	Plant, Stores, Vehicles, Furniture, etc., at cost *less* depreciation	38,273
Appropriation Account—Balance Unappropriated	1,878,008	Advances to Subsidiary Companies	45,300
		Debtors, Loans and Payments in Advance, etc.	193,794
		Deposits, Fixed and on Call	1,485,789
		Government, Municipal and Public Utility Stocks and Debentures—to offset deposits made by the Trustees of The Corner House Pension Fund	974,023
		Cash at Bankers and in Hand	33,451
		Dividends to be received on Shareholdings	364,606
	£9,168,433		£9,168,433

Contingent Liabilities.

There are Contingent Liabilities as under, viz:—I.—To finance and to subscribe for shares in certain undertakings. II.—To guarantee housing loans to employees. III.—For contracts open for the supply of Stores, etc. IV.—To guarantee commitments of associated Companies.

APPROPRIATION ACCOUNT

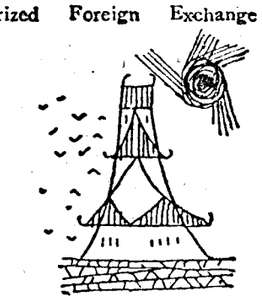
Taxation	£39,161	Balance Unappropriated— As per Balance Sheet, 31st December, 1951	£1,743,566
Forfeited Dividends Account	41,989	*Balance of Profit and Loss Account*— For the year ended 31st December, 1952	818,901
Dividend Account— Dividend No. 98 of 3s. per share, declared 12th June, 1952, £322,649. Dividend No. 99 of 3s. per share, declared 11th December, 1952, £322,649	645,298	Transfer from Shareholders Contingency Reserve	41,989
Balance Unappropriated— 31st December, 1952—Carried to Balance Sheet	1,878,008	*NOTE.*—The Accounts have been drawn up in accordance with the normal practice of the Company: an amount of £211,745 being the amount written off Investments and Freehold Properties after deducting the amount realized by the sale of Investments during the year less book value thereof has been dealt with through the Investment Reserve shown in the Balance Sheet.	
	£2,604,456		£2,604,456

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co., 4, London Wall Buildings, London, E.C.2.

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addition to American capacity. Last year, American production of synthetic fibres reached 1,396.4 million pounds, 7 per cent below the 1951 output. The reduction was most marked in continuous filament yarn of all kinds and in acetate staple. Production of viscose and cupra staple rose from 207 million pounds to 212 million pounds. American production of non-cellulose synthetic fibres rose last year from 209.7 million pounds to 260.6 million pounds.

Reductions in Fats Prices

THE Ministry of Food has now made substantial reductions in the prices of unrefined oils mainly used for the manufacture of soap allocated to wholesalers and large trade users. These reductions represent as much as 33 per cent for crude palm oil and 35 per cent for groundnut oil. It may be some months, however, before the reductions are reflected in retail prices of soap. Some of the Ministry's price changes are shown in the accompanying table:

	Old price per ton	New price per ton
	£ s.	£ s.
Crude palm oil	106 10	71 10
Prime mixed	107 10	72
Low gut	85	54
Cotton, ex washed oil	106	68
Groundnut	108	70
Whale oil	50	30

The new prices are more in keeping with world prices, but it seems that the Ministry of Food is judiciously easing prices to liquidate stocks before going out of business. The market now awaits price reductions for fats used in the manufacture of margarine, in accord with the fall in world prices; orderly price reductions by the Ministry of Food would be a natural preliminary step before the margarine trade reverted to private enterprise.

Recovery in Power Sales

DURING the financial year that has just ended, the British Electricity Authority sold 57,286 million units, or 3·5 per cent more than in the same part of the previous year. But such is the momentum of postwar expansion in the electricity supply industry that this increase will probably be regarded as a setback; 1952-53 was certainly a year in which BEA experienced a sharp moderation in its bounding curve of demand. The sea-change can be seen fairly clearly in the authority's informative monthly statistics. From March until August last year electricity sales appear to have been actually lower than the year before; from September to the end of the year there was a marked recovery, but this has not been maintained evenly. The industry's statisticians produce a refined version of these figures "adjusted to normal weather and standard working days," which renders the monthly and cumulative figures into a smoother outline of recession and recovery; the monthly figures suggest that the industry may now be back at least to the steady annual rise of 6 per cent that the old Central Electricity Board used to consider "normal" (BEA between nationalisation and 1951-52 recorded an average annual increase of some 8-9 per cent). The disconcerting element in these statistics (which is to be seen, too,

ELECTRICITY UNITS SOLD BY BEA, CENTRAL AUTHORITY, 1949–53

	Sales in month ended million kwh	Cumulative sales in financial year million kwh	Twelve months totals: Actual sales million kwh	% rise over previous 12 months	% rise over previous 12 months adjusted *
YEAR ENDING					
Mar. 31, 1949	...	...	43,151	+ 10·5	+ 8·3
Mar. 31, 1950	...	...	45,766	+ 6·1	+ 8·6
Mar. 31, 1951	...	...	51,848	+ 13·3	+ 11·1
Mar. 31, 1952	...	...	55,340	+ 6·7	+ 6·5
Mar. 31, 1953	...	...	57,286	+ 3·5	+ 4·0
MONTH ENDING					
Jan. 31, 1952	5,796	45,029	54,962	+ 8·5	+ 8·1
Feb. 29, 1952	5,269	50,298	55,349	+ 8·1	+ 7·4
Mar. 31, 1952	5,042	55,340	55,340	+ 6·7	+ 6·5
April 30, 1952	4,368	4,368	55,141	+ 5·0	+ 5·9
May 31, 1952	4,180	8,548	54,982	+ 3·8	+ 5·4
June 30, 1952	3,765	12,313	54,966	+ 3·0	+ 4·8
July 31, 1952	3,734	16,047	55,031	+ 2·6	+ 4·3
Aug. 31, 1952	3,634	19,681	54,933	+ 1·7	+ 3·6
Sept. 30, 1952	4,381	24,062	55,252	+ 1·9	+ 3·2
Oct. 31, 1952	5,045	29,107	55,470	+ 1·5	+ 2·7
Nov. 30, 1952	5,430	34,537	55,890	+ 2·1	+ 2·6
Dec. 31, 1952	5,954	40,491	56,598	+ 3·6	+ 2·9
Jan. 31, 1953	6,038	46,529	56,840	+ 3·4	+ 3·3
Feb. 28, 1953	5,297	51,826	56,868	+ 2·7	+ 3·4
Mar. 31, 1953†	5,460	57,286	57,286	+ 3·5	+ 4·0

*Adjusted to "normal weather and standard working days." † Provisional.
Source: British Electricity Authority.

in statistics of coal consumption) is that the recovery in the rise of electricity sales has been much more marked in what the authority calls "mainly non-industrial areas" than in the areas where industrial consumers normally take more than 50 per cent of total sales. These fuel figures, which become available slightly in advance of the index of production, do not indicate any quickening in the slow recovery of industrial output.

SHORTER NOTES

The Society of British Aircraft Constructors has revised the standard formulæ for calculating direct aircraft operating costs to include gas turbined aircraft. The revised formulæ also cover two rates of utilisation—3,000 hours a year, which represents a considerable feat of administrative organisation, and 1,500 hours a year.

★

As the market had feared, net profits earned by Imperial Chemical Industries in 1952 slumped from £23½ million to £15.8 million, but as investors had also confidently expected ICI has maintained its ordinary dividend at 13 per cent. The directors have attibuted the slump in profits to last year's recession in the textile trades and the restrictions on trade in certain overseas markets.

Company Notes

VICKERS. The preliminary report issued by the directors of Vickers for the year to December 31st offers shareholders a bigger slice of a bigger cake. The directors propose to raise the ordinary dividend from 12½ to 15 per cent on the firm foundation of an increase in net profits from £2,072,872 to £2,844,638. This means that the company's £1 ordinary stock units at the current price of 47s. 3d. xd. offer a yield of £6 7s. per cent—an attractive one for a "blue-chip" of this standing.

Having tasted the fruits of success, shareholders will look forward to the full report for the chairman's comments on the remarkable rearrangement of Vickers' investments that took place last year. The sale of nearly one-fifth of the group's holdings of steel stock has reduced the book value of these holdings from £15,267,081 to £12,517,081; in making these sales the group has made a loss of £374,086 and there is still a very heavy unrealised loss on the remaining stocks, which at the end of last year had a market value of only £10,974,534. In addition, the group has realised its holdings of other British Government securities (which stood in the books at £4,353,792 at the end of 1951) and of other quoted investments (which had a book value of £1,276,534 at the end of 1951). Following these sales, the group's holdings of cash and tax reserve certificates have increased from £2,645,723 to £6,017,861. This apparent surfeit of liquid resources must, of course, be read in the light of the opportunity that steel de-nationalisation will soon offer to Vickers to buy back its old holdings in English Steel. Cammell Laird, the other part-owner of English Steel, appears to have been following the same investment policy as Vickers, for in announcing an increase in profits and in the ordinary dividend (from 14 to 15 per cent, plus a new 2 per cent tax-free bonus) its directors have reported a book loss of over £680,000 on the sales of securities.

But the realignment of Vickers' resources may also be a sign that the directors are turning more of their attention towards investment within the group itself, for the sale of part of Vickers' holdings of quoted investments was accompanied by a rise in its trade investments (from £867,566 to £1,128,516) and in the amounts owing to subsidiaries (from £7,351,476 to £11,581,268); moreover, Vickers' holdings in Powers-Samas Accounting Machines has increased (following a cash and bonus issue) from £1,971,265 to £3,276,262, while the book value of its investments in other subsidiaries has risen from £3,754,819 to £4,176,033. These redeployments suggest that the group is widening the front along which it faces the future—come cooler war or not.

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UNION CASTLE. Investors in shipping shares, always one of the most speculative—and until recently one of the most optimistic—sectors of the market, have run into some rough waters in the past few weeks. The first signs of disturbance came a week ago when the directors of Peninsular and Oriental Steam Navigation, in announcing the expected increase in operating profits for the year to September 30th (from £18.8 million to £23 million) and in the ordinary dividend (from the equivalent of 16 per cent on the present capital to 20 per cent), warned shareholders that "conditions for shipping generally have been far less favourable during the first half of the current year and are prospectively no better for the remainder of the year." On the strength of this gloomy forecast, and in spite of the increase in equity payments, P. and O.'s £1 deferred ordinary shares were marked down 1s. to 60s.; while the £1 ordinary shares of Cunard, which had also reported an increase in gross profits (from £7.1 million to £8.2 million) and in the ordinary dividend (from 15 to 16 per cent), were marked down by 2s. to 40s.

In general, however, danger signals had been hoisted so often in the cautious boardroom of P. and O. that investors in shipping shares had become hardened to them, and it was not until Union Castle announced its results early this wek that the market took the warning really seriously. Union Castle, whose financial year ended three months after that of P. and O., reported a fall in gross profits from £4.9 million to £4.5 million; it therefore had to disappoint its shareholders, who had been expecting an ordinary dividend as high as 10 per cent, by declaring a dividend of only 7½ per cent, compared with an equivalent distribution on the present capital of 6½ per cent for 1951. The £1 ordinary stock units of Union Castle were immediately marked down 3s. 3d. to 23s. (to offer a yield of 6½ per cent), while the deferred shares of P. and O. fell by another 9d. to 57s. 9d. and the £1 ordinary shares of Cunard by another 1s. to 39s. The upset in the market was due not so much to a disappointment with Union Castle's dividend as to a realisation of the implications of its report. The directors declare that the fall in gross profits last year was due wholly to an increase in operating costs; there is no doubt that many other shipping companies are now being squeezed between these increases in costs and flagging freight rates.

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BRITISH INSULATED. To the cheering batch of reports recently issued by companies manufacturing electrical equipment can now be added a particularly impressive preliminary statement by British Insulated for the year to December 31st. The directors have recommended a dividend of 10 per cent on the ordinary capital of £12,350,000 (as increased by last spring's rights issue of 3,109,614 shares at 22s. each); this compares with the 1951 dividend of 9 per cent on the original capital of £9,240,386. The higher dividend is backed and justified by a notable advance of profits. The group's trading profits have jumped from £7,966,464 to £9,423,182 and, although the provision for taxation has inevitably risen (from £4,081,211 to £4,869,146), its net profits have risen from £3,054,868 to £3,464,435. The increase in net profits has meant that the holding company has been able not only to distribute £673,075 (against £436,608) in equity dividends, but also to add £2,318,461 (compared with £2,195,362) to revenue reserves and the carry forward.

The improvement in profits almost certainly stems from a further increase in sales. A year ago the group's activities were being held up by shortages of raw materials; most of these shortages have now disappeared, allowing the group to step up output to meet the heavy demands for its products. Mr Butler's budget concessions suggest that these demands are unlikely to slacken, and there may therefore be a chance of another increase in equity payments a year hence. Indeed investors seem to have already discounted some part of this chance, for at the current price of 37s. the £1 ordinary stock units offer a yield of £5.4 per cent.

SECURITY PRICES AND YIELDS

British Funds — and Guaranteed Stocks	Price, Apr. 15, 1953	Price, Apr. 22, 1953	Net Yield, Apr. 22, 1953	Gross Yield, Apr. 22, 1953
			£ s. d.	£ s. d.
War Bonds 2½% '52-54	99⅞	99⅜	1 8 0	2 14 5
Exchequer 2½% 1955..	99⅝	99⅜	1 11 10	2 14 4
Exchequer 3% 1960..	99⅜	100	1 13 8	3 1 4
Ser. Funding 1½% '53.	99⅛	99⅛	1 18 9	2 12 11
Ser. Funding 1½% '54.	98⅛	98⅛	1 19 0	2 14 4
Ser. Funding 3% '55..	100⅛	100⅛	1 9 4	2 15 7
War Bonds 2½% '54-56	99⅜	99⅞	1 9 9	2 13 7
Funding 2½% '52-57..	99⅛	99⅛	1 9 7	2 16 7
Nat. Def. 3% '54-58..	100⅛	101	1 10 10	2 19 3
War Loan 3% '55-59.	100⅛	100⅛	1 12 4	2 19 5
Savings 3% '55-65 ...	94⅛	94⅛	2 3 0	3 11 5
Funding 2½% '56-61..	95⅞	96	1 18 5	3 1 7
Funding 3% '59-69...	89⅛	90⅞	2 7 6	3 16 3
Funding 3% '66-68...	91⅜	92⅛	2 5 4	3 14 3
Funding 4% '60-90...	99⅜*	99½*	2 6 2	4 2 2
			2 4 7	4 0 8
Savings 3% '60-70 ...	88⅛	89⅛	2 8 3	3 17 5
Savings 2½% '64-67 ...	87⅛*	87⅛*	2 7 11	3 12 1
Victory 4% '20-76 ...	101¼	102	2 1 0	3 17 0
Savings 3% '65-75 ...	85⅜	87⅛	2 8 8	3 18 3
Consols 4% (aft. 1957)	89⅜	89⅛	2 9 2	4 9 10
Convs. 3½% (aft. 1961)	80⅜	81⅜	2 7 6	4 6 5
Treas. 2½% (aft. 1975)	59⅛	59⅛	2 5 11	4 3 8
Treas. 3% (aft. 1966)..	69⅜	70⅛	2 7 1	4 5 9
Treas. 3½% '77-80....	91½	92⅛	2 7 2	4 1 3
Redemption 3% '86-96	80⅜	81⅛	2 6 11	3 18 2
War Loan 3½% aft. 1952	81⅜	81⅛	2 7 5	4 6 11
Consols 2½%	60⅜	60⅛	2 5 6	4 2 10
Br. Elec. 3% '68-73..	86⅜	87⅛	2 8 8	3 18 0
Br. Elec. 3% 74-77...	85½	86⅜	2 8 3	3 18 1
Br. Elec. 4½% '74-79.	100⅛	100⅜	2 6 3	4 4 7
Br. Elec. 3½% '76-79.	91*	*91⅛	2 6 10	4 0 0
Br. Trans. 3% '78-88.	81⅛	82	2 8 9	4 0 2
Br. Trans 3% '68-73.	86½	87⅛	2 8 8	3 18 0
Br. Trans. 4% '72-77.	98⅜	98¼	2 6 5	4 3 9
			2 6 0	4 3 3
Br. Gas 3% '90-95 ...	80*	*80⅛	2 7 7	3 18 10
Br. Gas 3½% '69-71..	93⅜	94⅜	2 6 0	3 18 11
Br. I. & S. 3½% '79-81	1	91⅛	2 7 1	4 0 10

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, Apr. 15, 1953	Price, Apr. 22, 1953	Yield, Apr. 22, 1953
%						£ s. d.
20	*a*	40	*b*	Anglo-Am. 10/-	6⅛*	6⅛	4 17 11
25	*b*		*a*	Anglo-Iran £1..	5⅜	5⅜	5 4 4
7½	*a*	2½	*b*	Assoc. Elec. £1.	80/-	80/-	5 0 0
7½	*a*	0	*a*	Assoc. P. Cem. £1	111/3	109/4½	5 9 9
10	*a*	33	*b*	Bass £1	122/6	118/9	7 4 10
20	*c*	10	*a*	Boots 5/-.....	19/6	19/6	5 2 7
3	*a*	7	*b*	Brad. Dyers £1.	28/6	27/-	7 8 2
4½	*a*	6½	*b*	Br. Celanese 10/-	24/9	23/6	4 13 7
17½		4	*a*	Br. Motor Cp. 5/-	7/-	6/6xd	8 0 0
			a	Br. Oxygen £1..	53/6*	52/6	5 14 3
		5	*b*	Can. Pac. $25..	$51	$48⅛	5 11 3
7½	*b*		*a*	Coats £1.....	46/6	45/-	5 11 1
6½	*b*		*a*	Courtaulds £1..	40/9	39/3	5 14 8
16	*c*	2½	*a*	Cunard £1.....	42/-	39/6	8 2 0
15	*b*	7½	*a*	Distillers 4/-....	17/-	16/6	5 9 1
17½	*c*	17½	*b*	Dunlop £1.....	48/9	46/10½	7 9 4
15	*c*	15	*c*	Ford £1.....	58/1½	55/7½*	5 7 10
15	*b*	5⅞	*a*	Gen. Elect. £1..	42/6	42/6	5 5 11
10	*b*	5	*a*	Guest Keen £1.	52/6	51/9	5 15 11
7	*a*	10	*b*	Guinness 10/-..	30/-	29/3	5 16 3
4½	*a*	5½	*b*	Hawker Sid. £1.	39/6	37/-	5 8 1
13	*c*	5	*a*	Imp. Chem. £1.	46/1½	44/6	5 16 10
13½	*a*	11½	*b*	Imp. Tobacco £1	54/-	52/9	7 11 7
$2·6	*c*	$2·6	*c*	Int. Nick. n.p...	$73⅛	$71⅛	6 10 4
17½	*c*	17½	*c*	J'burg Con. £1.	65/-	63/9	5 9 10
5	*a*	10	*b*	Lancs. Cotton £1	43/9	42/3	7 2 0
7½	*a*	10	*b*	Lon. Brick £1..	63/9	60/3	5 5 8
65	*b*	15	*a*	Marks & Sp. A 5/-	54/6	55/9	3 11 9
6½	*a*	11½	*b*	Monsanto 5/-...	20/6*	20/6	4 9 5
6	*a*	14	*b*	P. & O. Def. £1.	61/6	56/-*	7 2 10
17½	*b*	7½	*a*	P. Johnson 10/-.	33/6	33/-	7 11 6
†100	*c*	†105	*c*	Prudentl. 'A' £1	37½	37½*	5 1 10
175	*b*	50	*a*	Rhokana £1....	16⅜*	16⅜	13 14 10
10	*b*	5	*a*	Rolls Royce £1.	62/6	61/3	4 18 0
†10	*b*	†5	*a*	"Shell" Stk. £1.	83/9	81/3	5 7 4
13½	*a*	8½	*b*	Tube Invest. £1	60/6	60/-	5 0 0
5	*a*	20	*b*	Tur. Newall £1.	53/9	52/3	4 15 8
8½	*b*	5	*a*	Unilever £1....	48/3	48/3	5 11 2
12½	*c*	8¾	*c*	Union Castle £1	26/6	23/6	6 7 8
5	*a*	5	*b*	Union Disc. £1.	43/-	45/-	4 8 11
†6½	*b*	†4½	*a*	Utd. Molass. 10/-	30/3	29/3	6 9 6
30	*b*	7½	*a*	U. Sua Betong £1	36/10½	36/10½	20 6 9
2½	*a*	12½	*b*	Vickers £1.....	49/3	47/3*	6 7 0
15	*a*	40	*b*	Woolworth 5/-..	54/-	53/-	5 3 9

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*f*) Yield basis 21·8% gross. (*g*) Div. 17½% for 4 months. Yield basis 10% (*h*) Yield basis 15%. (*k*) On doubled capital. (*m*) Yield basis 12½%. (*n*) Yield basis 40%. (*o*) Yield basis 20%. (*p*) Yield basis 11½%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended April 18, 1953, total ordinary revenue was £58,973,000, against ordinary expenditure of £116,679,000 and issues to sinking funds £150,000. Thus, including sinking fund allocations of £437,000 the deficit accrued since April 1, 1953, was £52,703,000 compared with a deficit of £74,221,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54	April 1, 1952 to April 19, 1952	April 1, 1953 to April 18, 1953	Week ended April 19, 1952	Week ended April 18, 1953
	£'000	Receipts into the Exchequer (£ thousand)			
REVENUE					
ORD. REVENUE					
Income Tax	1782,250	78,501	86,741	16,545	21,691
Sur-tax	127,000	7,400	6,500	1,200	2,300
Death Duties	160,000	7,600	11,900	2,500	4,300
Stamps	52,000	2,400	2,500	500	800
Profits Tax & EPT	214,000	19,500	10,803	2,900	1,800
Excess Profits Levy	99,500	...	1,200	...	600
Special Contribution and other Inland Revenue.	1,000	120	60	70	...
Total Inland Rev.	2435,750	115,521	119,701	23,715	31,491
Customs	1044,300	54,005	50,240	19,852	22,308
Excise	680,480	10,510	9,755	4,525	4,625
Total Customs and Excise	1724,780	64,515	59,995	24,377	26,933
Motor Duties	69,000	3,009	3,281	197	...
PO (Net receipts)..	2,685	...	...	...	...
Broadcast Licences	16,000	...	...	...	...
Sundry Loans.....	25,000	55	54	...	...
Miscell.	95,000	6,187	7,947	185	549
Total Ord. Revenue	4368,215	189,287	190,979	48,474	58,973
SELF-BALANCING					
Post Office	224,615	8,100	7,400	3,000	2,900
Income Tax on EPT Refunds	3,300	520	286	3	57
Total	4596,130	197,907	198,665	51,477	61,930
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	51,907	51,953	21,286	23,461
Payments to N. Ireland	48,000	1,360	1,469	...	...
Other Cons. Funds	10,000	540	223	529	218
Total	673,000	53,807	53,645	21,815	23,679
Supply Services....	3586,286	208,600	189,600	75,400	93,000
Total Ord. Expend.	4259,286	262,407	243,245	97,215	116679
Sinking Funds....	...	1,101	437	545	150
Total (excl. Self-Balancing Expd.)	4259,286	263,508	243,682	97,760	116829
SELF-BALANCING					
Post Office	224,615	8,100	7,400	3,000	2,900
Income Tax on EPT Refunds	3,300	520	286	3	57
Total	4487,201	272,128	251,368	100763	119786

After increasing Exchequer balances by £358,767 to £3,292,764, the other operations for the week increased the National Debt by £75,438,107 to £26,136 million.

NET RECEIPTS (£ THOUSAND)

Export Guarantees Act, 1949, s. 3	174
EPU (Financial Provisions) Act, 1950, s. 3.....	183
	357

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1952	800
EPT Refunds	71
Local Authorities Loans Act, 1945, s. 3(1)	5,300
New Towns Acts, 1946 and 1952	1,000
Coal Industry Acts, 1946 to 1951	6,000
Overseas Resources Development Act, 1948, s. 17(1), Colonial Development	1,000
Miscellaneous Financial Provisions Act, 1946, s. 2(1), War Damage: War Damage Commission.....	3,000
Finance Acts, 1946 and 1947: Postwar Credits.....	410
	17,581
Change in total invested.	+ 1,901 + 6,444 + 8,478

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	27,141	2½% Def. Bonds....	960
Nat. Savings Certs..	1,700	3% Def. Bonds.....	3,647
3½% Def. Bonds....	2,235	2½% Nat. War Bonds 1951–53.....	50
Ways and Means Advances	54,980	3% Term. Annuities.	1,935
		Tax Reserve Certs...	519
		Other debt Internal	3,507
	86,056		10,618

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
Apl. 19	2,500·0	1,579·8	320·7	...	...	4,400·5
1953						
Jan. 17	3,010·0	1,569·6	251·7	...	...	4,831·3
" 24	2,980·0	1,515·9	268·2	...	...	4,764·1
" 31	2,940·0	1,494·2	250·6	...	...	4,684·8
Feb. 7	2,910·0	1,414·1	245·0	...	...	4,569·1
" 14	2,890·0	1,416·1	235·1	...	...	4,541·2
" 21	2,870·0	1,441·5	270·8	1·8	...	4,584·1
" 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
" 14	2,820·0	1,540·5	275·1	...	...	4,635·6
" 21	2,810·0	1,569·5	332·2	...	...	4,711·7
" 31	4,406·6		303·5	3·8	...	4,713·9
Apl. 11	2,880·0	1,585·3	243·7	...	...	4,709·0
" 18	2,950·0	1,542·3	298·6	...	...	4,791·0

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1952					
Apr. 18	200·0	316·6	200·0	47 3·27	45
1953					
Jan. 16	200·0	293·6	190·0	47 11·44	48
" 23	190·0	285·3	190·0	47 11·47	49
" 30	190·0	306·3	190·0	47 11·05	37
Feb. 6	220·0	315·8	220·0	48 3·19	51
" 13	220·0	297·2	220·0	48 7·78	62
" 20	230·0	321·7	230·0	48 7·90	56
" 27	230·0	314·4	230·0	48 0·25	66
Mar. 6	240·0	326·9	240·0	48 0·25	65
" 13	250·0	256·4	250·0	47 11·74	57
" 20	260·0	351·0	260·0	47 11·78	63
" 27	250·0	334·6	250·0	48 0·20	67
Apr. 2	230·0	322·8	230·0	48 3·93	60
" 10	250·0	357·6	250·0	48 4·20	62
" 17	230·0	360·8	230·0	48 3·51	45

On April 17th applications for 91 day bills to be paid from April 20 to April 25, 1953, were accepted dated Monday to Saturday as to about 45 per cent at £99 7s. 11d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £210 million were offered on April 24th. For the week ended April 25th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals, 2 weeks ended: April 12, 1952	April 11, 1953	Week ended April 11, 1953
SAVINGS CERTIFICATES :—			
Receipts	4,850	7,000	3,500
Repayments.....	6,500	4,500	1,500
Net Savings.....	*Dr 1,650*	2,500	2,000
DEFENCE BONDS :—			
Receipts	1,550	2,690	1,390
Repayments.....	2,930	3,550	2,400
Net Savings.....	*Dr 1,380*	*Dr 860*	*Dr 1,010*
P.O. AND TRUSTEE SAVINGS BANKS :—			
Receipts	32,418	29,544	13,242
Repayments.....	30 32	28,373	10,795
Net Savings.....	1,786	1,171	2,447
Total Net Savings	*Dr 1,244*	2,811	3,437
Interest on certs. repaid.	1,755	1,305	435
Interest accrued	4,900	4,938	2,476
Change in total invested.	+ 1,901	+ 6,444	+ 5,478

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

APRIL 22, 1953

	£		£
NOTES ISSUED:—		Govt. Debt....	11,015,100
In Circulation	1511,079,121	Other Govt. Securities ...	1535,739,100
In Banking Department	39,277,702	Other Securities	733,857
		Coin (other than gold)	2,611,943
		Amount of Fid. Issue	1550,000,000
		Gold Coin and Bullion (at 248s. per oz. fine).....	356,823
	1850,356,823		1550,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	351,209,439
Rest.....	3,217,451	Other Securities	22,227,055
Public Depts. .	60,572,936	*Discounts and Advances...*	*9,145,000*
*Public Accts.**	*11,120,855*	*Securities....*	*13,082,055*
H.M. Treas. Special Acct.	*39,452,581*		
Other Depts. ..	346,186,183		
Bankers.....	*273,463,443*	Notes.....	39,277,702
Other Accts...	*72,722,740*	Coin.....	1,815,374
	414,529,570		414,529,570

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	April 23	April 8	April 15	April 22
ISSUE DEPT. :—				
Notes in circulation.	1,411·8	1,517·3	1,516·9	1,511·1
Notes in banking department	38·5	33·0	33·8	39·3
Government debt and securities*	1,446·7	1,546·8	1,546·8	1,546·8
Other securities	0·8	0·7	0·7	0·7
Gold and coin.....	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT. :—				
Deposits :—				
Public Accounts	10·8	11·3	19·2	11·1
Treas. Special Acct..	0·5	39·5	39·5	39·5
Bankers	286·1	280·3	269·0	273·5
Others	76·8	74·1	73·8	72·7
Total	374·2	405·2	401·5	396·8
Securities :—				
Government	308·7	359·0	357·9	351·2
Discounts, etc.	21·9	18·4	13·5	9·1
Other	21·4	10·8	12·6	13·1
Total	352·0	388·2	384·0	373·4
Banking dept. reserve.	40·0	34·8	35·3	40·1
	%	%	%	%
"Proportion"	10·6	8·5	8·7	10·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,500 million to £1,550 million on March 25, 1953.

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

	April 22, 1952	April 7, 1953	April 21, 1953
Cereals and meat	182·8	200·7	201·1*
Other foods	189·9	197·6	198·4
Textiles.....	227·8	214·8	216·3
Minerals	389·2	352·6	340·4
Miscellaneous.....	193·7	185·3	185·4
Complete Index	**224·4**	**221·4**	**220·4***
1913 = 100.....	*308·7*	*304·7*	*303·1**

* Provisional.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1953	SILVER: London per ounce	New York per ounce	Bombay per 100 tolas	GOLD: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
April 16.....	74·00	85·25	159 7	87 15
" 17.....	74·00	85·25	161 2	88 8
" 18.....	Markets closed		160 4	88 1
" 20.....	74·00	85·25	161 12	88 1
" 21.....	74·00	85·25	162 10	87 15
" 22.....	74·00	85·25	162 4	87 14

NOTICES

CANADIAN PACIFIC RAILWAY COMPANY
(Incorporated in Canada with Limited Liability)

PROXIES

Shareholders are reminded that proxies in connection with the forthcoming Annual Meeting should reach this office not later than Friday morning, May 1st.

R. F. TREMAYNE, Deputy Secretary.

8, Waterloo Place, S.W.1.

SALES or General Manager—man with wide experience seeks appointment where proved ability in sales and commercial development is required. Used to large volume business home and export. Well known engineering and food manufacturing industries. Box M/242, Strand House, London, W.C.2.

UNIVERSITY COLLEGE OF WALES, ABERYSTWYTH

Applications are invited for the post of Research Assistant in the Departments of Welsh History and Economics. Salary £450 per annum. Three copies of applications, with the names of two referees, should be sent to the undersigned, from whom further particulars may be obtained, not later than May 16, 1953.

T. MAELGWYN DAVIES, Registrar.

SALZBURG SEMINAR IN AMERICAN STUDIES, SCHLOSS LEOPOLDSKRON, SALSBURG, AUSTRIA

Scholarships are offered for the following sessions :—

General Session, July 15th to August 23rd (Art, Literature, Music, Philosophy, Political Science and Psychology).

Economic Session : An Approach to the American Economy, August 30th to September 27th. Lectures and seminars at the post-graduate level. General age range, 23-35. Special attention given to those engaged in teaching, public life, or creative work, and to advanced students.

For further information and application forms, please write promptly to Salzburg Seminar, 55, Upper Brook Street, London, W.1. For the General Session, application forms must be returned by May 1st, and for the Economic Session by July 1st.

GROUP PERSONNEL OFFICER

A group of engineering companies comprising autonomous manufacturing divisions seeks an officer to exercise general oversight upon staff, promotion, training and education, and to advise manufacturing divisions on labour relations matters. This is not appointment of personnel manager in the ordinary sense as the group policies must be conveyed by persuasion and inspiration. The chosen officer will be responsible for selection of university and other trainees and for all training curricula in the group. Applicants must have background of manufacturing industry and the necessary intellectual or academic qualities to enable them to assess technical staff. They must also possess vigorous and persuasive personality. The appointment will involve considerable travelling and although based on London does not necessitate residence there. Appointment is permanent and pensionable. Four figure salary commensurate with qualifications and experience.—Write stating age, education, present earnings and full details of career, to Box E.C.237, c/o 191 Gresham House, E.C.2.

ACCOUNTANT

A young Chartered Accountant, not over 28 years of age, is required by a leading industrial company. The successful applicant will be expected to undergo a period obtaining the experience necessary to undertake duties of a responsible nature. In addition to professional qualifications a university degree would be considered an advantage, although not essential. An adequate salary will be paid during the preliminary period, but the prospects of the appointment are outstanding, including remuneration of £2,000 per annum within five years of being confirmed in the appointment. Thereafter further advances may be expected as increased responsibility is assumed.—Send details of qualifications and experience to Box 230.

EXPANDING ORGANISATION requires young statistician with investment experience and knowledge economics. Write full details, in confidence.—Box 237.

INDIA.—Chairman of publicity organisation visiting India shortly for top-level contacts is willing to undertake selected commissions. —Box 232.

FACTORY PREMISES FOR SALE.—Central town situation in Lancashire Development Area. Excellent load facilities, all services. Adequate office accommodation. Floor area, approximately 24,000 sq. ft.—Write Box 231.

DIRECTOR of a Midland group of light engineering companies is considering the appointment of a Deputy in order to meet the needs of expansion. This is an extremely responsible appointment and only men with experience at this level and whose qualifications are in line with the following specification are invited to write, in the strictest confidence, with a view to a preliminary discussion: —

(a) Qualified Accountant, age 35 to 45 years.
(b) Good general education, good appearance and forceful personality.
(c) Sound commercial background and knowledge of Commercial Law.
(d) Experience in budgetary control and modern office systems.
(e) Practical experience of top level management in the engineering industry.
(f) Progressive approach to problems of staff control.

The terms of the appointment will include an initial basic salary in the £2,000 to £2,500 p.a. range; a bonus dependent upon company results; participation in attractive pension and life assurance scheme. —Give full details of age, education, qualifications and experience, to Box 239.

A GENERAL SALES MANAGER required by nationally known Midlands engineering company with present turnover about £2 million annually in a rapidly expanding market. Applicants should have proved sales record and be capable of directing the efforts of a direct selling organisation in the U.K. and export sales by agency agreements. Experience is required of co-ordinating extensive sales promotion by advertising and other media with existing live sales force and keen managing director. The position offers excellent permanent prospects leading to executive directorship after proven success and carries a starting remuneration of not less than £2,000 per annum including commission. Outstanding applicants who can satisfy the managing director that they are worth more will be favourably considered.—Applications, in writing, should be addressed to General Sales Manager, c/o Urwick, Orr and Partners Ltd., 29 Hertford Street, Park Lane, W.1. Envelope marked AS/F. 1080.

Combining Mediterranean climate and Alpine scenery in the Sterling Area

Spend your Summer and Autumn holidays at the

BERENGARIA HOTEL

CYPRUS

A first-class hotel with all amenities situated in the Island's famous pine forests. Open May 20 to November 10. Please apply to principal Travel Agencies in London, or write to Manager, Berengaria Hotel, Prodromos, Cyprus.

BEDFORD COLLEGE (UNIVERSITY OF LONDON)

REGENT'S PARK, N.W.1.

The Council of Bedford College invites applications for the following posts in the Department of Sociology, Social Studies and Economics, vacant as from October 1, 1953: —

(i) Assistant Lectureship in Sociology.
(ii) Lectureship or Assistant Lectureship in Social Statistics.

The posts are open to men and women equally. Candidates should have a Degree in Sociology or in Economics with qualifications in Sociology and Social Statistics respectively. Salaries in accordance with University of London scales. Last date for receiving applications May 15, 1953. Further particulars from the Secretary.

THE AUSTRALIAN NATIONAL UNIVERSITY, CANBERRA, A.C.T.

Applications are invited for the position of READER IN PUBLIC ADMINISTRATION in the Department of Political Science of the Research School of Social Sciences.

The salary range for Readers is £1,590-£1,840, plus a cost of living allowance, at present £180 per annum.

Superannuation will be under the University's scheme, which is based on F.S.S.U., or under the Commonwealth Superannuation Scheme. A year's study leave, with travel allowance, will be granted after five years' service.

Copies of the conditions of appointment and a statement about the office may be obtained from The Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1, with whom three copies of application should be lodged before May 31st; these should include date and place of birth, age, marital status, war service, academic record, publications (single copies to be forwarded if available), appointments held, and the names of three referees.

BRITISH BUSINESS OVERSEAS

SCHOOL OF ORIENTAL AND AFRICAN STUDIES
UNIVERSITY OF LONDON, W.C.1.

Short courses of background lectures are offered to business men and others covering the social, political, and economic problems of the countries of the following regions: —

The Middle East.
The Indian Sub-continent.

Intensive instruction in the languages of these areas can also be given.

For further details apply to the Organiser of Special Courses at the above address.

Telephone inquiries: MUSeum 2023, ext. 28.

BOARD CHANGES

Insurance Engineers Limited. Mr. E. Lansdowne has been appointed Chairman, and Mr. J. A. Miller, DSO, Deputy Chairman.

THE Nuffield Foundation has a vacancy for an Assistant Secretary. Applications are invited from university graduates (any faculty) having an informed interest in contemporary developments in the natural, medical or social sciences. Commencing salary not less than £1,850 p.a. with superannuation and child allowance.

Applications giving full details of qualifications and experience and the names of three referees (no testimonials should be submitted) should be sent to the Secretary of the Nuffield Foundation, Nuffield Lodge, Regent's Park, London, N.W.1, by not later than May 31, 1953.

LAWYER (35-50) required by engineering company in S. Midlands for work connected with patent licences and similar agreements. Practical experience of drafting or interpretation of licence agreements is essential. Salary £1,200 to £1,500 according to experience. Pension and Profit Sharing Schemes. State particulars of qualifications, age, positions held.—Box 238.

SWISS political science graduate (25) seeks interesting post in the field of economics. Special interest in research and planning. Languages: English, German, French. London and surroundings preferred.—Box 235.

CAMBRIDGE GRADUATE ECONOMICS, 28, four years' executive experience export department large electrical group, seeks similar position smaller electrical or mechanical firm. Moderate French, Spanish.—Box 236.

THE Nuffield Foundation wishes to fill the post of Fellowships Adviser. The holder of this post will be expected to carry out under the direction of the Secretary of the Foundation such duties as may be required in the administration of the Foundation's Commonwealth schemes for fellowships and like awards and particularly to advise and help holders of these awards, many of whom are from overseas. Commencing salary £1,250 p.a., with superannuation and child allowance.

Applications giving full details of qualifications and experience and the names of three referees (no testimonials should be submitted) should be sent to the Secretary of the Nuffield Foundation, Nuffield Lodge, Regent's Park, London, N.W.1, by not later than May 31, 1953.

OTHER NOTICES APPEAR ON PAGE iii OF COVER.

COMPANY MEETINGS

THOMAS TILLING LIMITED

LARGER GROUP PROFIT AND DIVIDEND

"FAMILY OF FIRMS IN FINE SHAPE"

MR W. LIONEL FRASER'S REVIEW

The fifty-sixth annual general meeting of Thomas Tilling Limited will be held on May 13th at Crewe House, Curzon Street, London, W.

The following are extracts from the review by the chairman, Mr W. Lionel Fraser, CMG, circulated with the report and accounts for the year to December 31, 1952:

The consolidated profit and loss account shows that the profit of the Group before taxation is £1,264,640, showing an increase of £14,746 over 1951, and while taxation takes a greater proportion of this profit, a smaller amount of the profit after taxation is attributable to minority interests. The net profit attributable to your company is consequently £378,824, which is £24,263 more than the figure for 1951. Out of this profit there has been paid the preference dividend for the year, and the directors now recommend the payment of a dividend on the ordinary stock of 7½ per cent, as compared with 6 per cent last year.

The chairman then reviewed in detail the activities of the subsidiary companies:

Cornhill Insurance Company, Limited;

Daimler Hire, Limited;

Mark Dawson and Son, Limited (Worsted Spinners);

Hobourn Aero Components, Limited (Manufacturers of Light Engineering Components, Textile Machinery, Electrical Convection Heaters);

James A. Jobling and Company, Limited (Manufacturers of "Pyrex" Brand Glassware);

Newey and Eyre, Limited (Industrial Electrical Engineering Suppliers);

Stratstone Limited (Distributors of Daimler and Lanchester Cars);

F. Troy and Company, Limited (Building, Civil Engineering and Painting Contractors); and of the associated companies:

British Steam Specialties, Limited (Manufacturers and Distributors of Valves, Gauges, etc.);

Timothy Hird and Sons, Limited (Worsted Combers and Spinners);

E. R. Holloway, Limited (Comb Manufacturers, Fancy Goods, etc.);

Stevensons (Dyers), Limited (Hosiery Dyers and Finishers);

Western Motor Holdings, Limited (Motor Car Distributors).

The review then continued:

NEW ACQUISITIONS DURING THE PAST YEAR

John H. Ashton Limited.—Mahogany and Hardwood Merchants, Salford.

During the year we purchased an interest in this company, which was established in 1831 and which is one of the leading mahogany and hardwood merchants in the country. Ashtons have large modern sawmills for the conversion of logs, mostly from Borneo and the West Coast of Africa, also kiln drying plant for the seasoning of boards and deck planking. For over forty years the company has been in close relationship with Harrisons and Crosfield Limited, the Eastern merchants, and has exclusive rights in the disposal of the timber shipped to the United Kingdom by the British Borneo Timber Company which Harrisons and Crosfield manage. Our invesment does not amount to a big sum. We are impressed by the management as well as by the prospects, and we appreciate the indirect association we thus have established with Harrisons and Crosfield.

Heinemann Holdings Limited.—The Windmill Press, Kingswood, Surrey.

This company owns or controls a group of companies engaged in book publishing, printing and binding, whose activities are world-famous. In addition, Heinemanns have subsidiary companies or branches in Canada, Australia, New Zealand, South Africa, France, the Netherlands, Austria and Germany. Your company has for several years owned some of the ordinary shares of Heinemann Holdings Limited, and it has during the last year taken the opportunity to increase the investment. This will involve no change whatsoever in the management or policy of Heinemanns, in whose future your directors have full confidence.

Lime-Sand Mortar Limited.—Ready-Mixed Mortar and Ready-Mixed Concrete Manufacturers; Sand and Gravel Producers, Knaresborough, Yorkshire, also at Newcastle and other depots.

Since the date of the balance sheet we have been able to buy part of the ordinary share capital of this company. Its main business, that of producing ready-mixed mortar, is unique in this country on the scale of operations conducted. The business was introduced from the Continent in August, 1939, but due to the war its output was restricted until 1945. Since then development in this country has been rapid, in keeping with the demand from builders who appreciate the high quality of mortar produced and the value of the service offered. In 1949 a plant went into production in Toronto, Canada, and is now operating on a profitable basis. There are plans for further developments at home and abroad. After thorough preparation the company has entered the ready-mixed concrete field, and a new plant in Leeds, opened in June last year, is expected to make a growing contribution to profits. A subsidiary company, A. Braithwaite and Company, Limited, owning large sand and gravel quarries, is also operating satisfactorily. We are of opinion that Lime-Sand Mortar Limited, has great potentialities, and we are glad to have the occasion to participate in its development. Its management is go-ahead and very able.

GENERAL REVIEW AND PROSPECTS

This Industrial Holding Company, as we describe ourselves, is in verity a family of firms. Your directors trust that from the full details given above, it is manifest that, taking an overall view, the family is in fine shape. Some of the underlying companies have been able to show better results than others, but your directors avow their faith and confidence in the future of them all. So far we have no reason to be other than satisfied with the acquisitions which we have made and we find our relations with the boards and the personnel concerned entirely harmonious and everything that we could wish. All are inspired by a sense of service and responsibility, and exhibit a marked desire to enhance the interests and the reputation of the Group of which they are members.

Many of our holdings have come our way because the previous owners have felt it necessary, often for death duty reasons, to protect themselves by disposing of part, or even of all, of their interests, and have decided to throw their lot in with our Group, in which they are free to develop along their traditional lines. This freedom of action is much appreciated, as is our very natural wish to give our help and advice wherever required.

During the year we disposed of the balance of our holdings of quoted ordinary shares, with the exception of Heinemann Holdings Limited, to which reference has already been made. As I have said in previous annual statements to stockholders, we are not content merely to hold parcels of quoted shares in companies to whose destiny we can make no effective contribution. Rather do we prefer to interest ourselves in companies in whose development and progress we can play some real part, but we are aware that in so doing we shall stand or fall by the correctness of the choices we make. We are fully prepared for that and we do not expect our path to be free from care and anxiety. Our main emphasis is always on the quality of management, and your directors believe they are acting usefully and constructively in following the policy they have laid down. Many of our companies will sooner or later be requiring additional finance—indeed some are already calling upon us—and our funds, on deposit at attractive rates in the meantime, will be available for the expansion of our existing interests or for the acquisition of new ones.

Your directors maintain an optimistic and expectant outlook, and they anticipate that the year 1953 should produce results at least comparable to those of last year, provided no unforeseen setback overtakes us in the meanwhile. We have embarked upon a long-term undertaking, and we are only in its early stages.

EXPRESSION OF THANKS

It is always a pleasure to be able to thank those who do so much for us. I refer to my colleagues on the board of Thomas Tilling Limited, and to the headquarters staff at Crewe House, also to the directors, to the executives and to all the employees, men and women, of our subsidiary and associated companies. I assure them all of our sincere gratitude for their great endeavours.

FORD MOTOR COMPANY LIMITED

YEAR OF SATISFACTORY ACHIEVEMENTS

IMPORTANT NEW ACQUISITION

The twenty-fourth annual general meeting of Ford Motor Company Limited will be held on May 15th at Grosvenor House, Park Lane, London.

The following are extracts from the statement by the chairman, Sir Rowland Smith, MIMechE, which has been circulated with the report and accounts:

The achievements of your company in 1952 were very satisfactory. Sales of cars, commercial vehicles and tractors (164,760 units) and trading profit (£9,791,851) for the year 1952 were within 1 per cent of 1951 figures. This might suggest an uneventful year, but these simple facts mask the compensating effects of a number of greatly changed conditions, the most important of which were: a 13 per cent decline in unit sales abroad; a 29 per cent increase in sales at home; the introduction of a new tractor, the diesel proportion of which has greatly increased; the production of four-wheel drive trucks for the Services; a substantial increase in turnover; a decline in profit margin.

In the export market we were adversely affected early in 1952 by protective financial measures taken within the sterling area. A minor recovery in sterling markets developed later in the year and our efforts to compensate the decline by increased sales elsewhere were partly successful.

As a result of all this, the pattern of our exports has changed appreciably as under:

	Per cent of total sales	
	1951	1952
To sterling area ...	58	48
To dollar area ...	13	9
Elsewhere	29	43
	100%	100%

In 1952 we exported 108,700 units to a total value, including spare parts, of £46 million. The whole motor industry exported £324 million and contributed 12.7 per cent to the nation's exports.

Our new tractor incorporates the choice of three engines, diesel, petrol or paraffin. We are thus able to sell the diesel version at an attractive price which has swung demand towards the diesel, which latter now constitutes the larger proportion.

As a result of the larger proportion of higher priced units—Zephyrs, diesel tractors and government trucks—produced during the year, turnover increased to £83.9 million from £70.2 million in 1951. However, average trading profit margin declined somewhat, largely because of our general price reduction in June last, viz.: home prices—all units by 5 per cent; export prices—cars 10 per cent; trucks 7½ per cent; and tractors 5 per cent.

The Anglia is priced 11.7 per cent lower than its nearest competitor in this country, and, at the other end of our price scale, the Zephyr gives value and performance which are rapidly receiving universal recognition.

TRADING RESULTS

The year's profit for the group was £8,780,878, of which tax took nearly two-thirds, leaving £3,029,526. To this is added the £400,000 reserve for contingencies no longer required, and £300,000 for adjustment of excess profits tax and more recent tax liabilities.

The Chancellor's welcome income tax reduction of 6d. in the £ reduces our tax charge by about £200,000.

Our contribution to Excess Profits Levy for the year was no less than £1,100,000—out of all relation to our profit from the armament programme, the taxation of which was the original purpose of the levy. Excess Profits Levy has been a brake on progress, and its passing will not be regretted.

During the year we made our two millionth vehicle and our millionth reconditioned engine.

The blast furnace has had a run of over 1,580,000 tons since its last relining, a record for the country and a tribute to the men who operate it.

In 1952 we had more than 36,000 visitors at our plants.

During the last five years over 200 service exhibitions, with an attendance of nearly 350,000, have been arranged in co-operation with our fine Dealer Organisation.

BRIGGS MOTOR BODIES LIMITED

In recent weeks arrangements have been successfully concluded whereby your company has acquired the majority share interest in Briggs Motor Bodies Limited, which company has supplied us with almost all our body requirements. You can well understand, therefore, the importance of this transaction to your company.

As already announced, we intend to make an offer for the remaining Briggs shares which are publicly held. Both companies are leaders in their respective fields, and co-ordination of resources will ensure more efficient operation and provide added strength for the competitive days ahead.

THE OUTLOOK

During the first three months of this year sales have substantially exceeded those of 1952, but the future is too uncertain to derive from this trend any reliable indication for the rest of the year.

With our comprehensive range of products at competitive prices and the incomparable access to export markets provided by the Ford world organisation, I am confident that we are well placed to get at least our proper share of the export trade.

At home it is clear that the last arrears of demand accumulated since the war will be cleared and the whole industry will again be on a fully competitive basis during 1953. We welcome this, and our sales organisation, dealers and company alike, are prepared to meet this situation. Ford quality and low price, backed by unrivalled service, will more than hold their own.

The spectre of heavy Purchase Tax continues to hang over our industry, which has concurred in a temporary "sale or return" arrangement to protect dealers as and when this tax is reduced or abolished, but this is only an expedient, and does not help the retail customer; only the Government can do that, and it is encouraging to note that a start has been made.

Motor-vehicle users are probably the most heavily taxed section of the community, carrying an annual load of tax from all sources of £373 million per annum. The greater part of this burden falls on industry, which is entitled to demand that the carriage of its goods should not, in addition to this penal taxation, suffer the extra costs imposed by our inadequate road system.

"SOFINA"

The annual shareholders' meeting of Société Financière de Transports et d'Entreprises Industrielles (SOFINA) was held on April 23rd in Brussels, Vicomte Van de Vyvere, Chairman of the Board, presiding.

In their introductory remarks to the report, the directors make, *inter alia*, the following statements:

"Too liberal an investment and credit policy has without doubt been the source of the difficulties which certain European countries have encountered in balancing their external payments. Although they are still insufficient, praiseworthy efforts have nevertheless been made recently towards the progressive abandonment of cheap money policies. This return to orthodoxy is rational, but it should be accompanied firstly by the suppression of government controls which hamper the free play of market forces, and secondly—and above all—by a substantial reduction in public expenditures. Governments should convince themselves of the idea that the main prerequisite for a return to currency convertibility is the re-establishment of order within their own countries, in public finance as well as in economic and monetary policy.

"If this elementary truth were understood—and above all applied—it would be surprising to see with what rapidity a return to broader markets and to transferability of currencies would take place, such as the world knew them before 1914, between the two wars until 1930 and, though to a lesser degree, in 1937 and 1938. . . .

"Formerly, the situation was simple. Apart from customs duties, which at times were very modest, economic barriers and exchange controls did not exist. Today the new conceptions are more complicated. Indeed, they involve the creation of supranational organisations, the purpose of which is progressively to liberate exchanges, either on a regional scale (Schuman Plan) or on a geographically wider scale (European Payments Union, Organisation for European Economic Co-operation).

"This is the subject, dealt with in the essay which we present to you this year. . . .

"The book value of investments is Belgian francs 1,998,869,000, or B.frs. 54,263,000 more than in the preceding balance sheet.

"The market value of quoted shares and the estimate of unquoted shares gives a total estimated value to investments of B.frs. 3,119,575,415 at December 31, 1952, compared with B.frs. 2,934,980,964 at December 31, 1951.

"Net liquid assets and debtors, after deduction of liabilities to third parties, amount to B.frs. 702,814,362, or B.frs. 43,815,892 less than at the end of 1951.

"The book value of investments in associated companies having their principal interests in Argentina amounts to B.frs. 263,780,321, and claims against such companies to B.frs. 374,638,873. Non-Argentine securities with an estimated value of approximately B.frs. 100 million have been received as a pledge for the payment of part of this last-mentioned amount.

"Gross income from all sources amounted to B.frs. 271,704,369, as against B.frs. 239,591,899 in the previous year.

"Profits derived from sales of securities (B.frs. 96,790,630, as against B.frs. 69,075,300 for 1951), and earnings which could not be cashed in Belgian francs (B.frs. 34,083,940, as against B.frs. 43,650,728 in the preceding year) have been applied mainly to writing down investments and to writing off claims expressed in Argentine pesos in accordance with the practice adopted by the company in regard to other claims in non-transferable currencies."

A dividend of B.frs. 80.—net per ordinary share has been declared, as against B.frs. 70.—net for the preceding year.

Translations of the report and of the essay, entitled "International Economic Co-operation," as also of Mr Heineman's address, are obtainable on application to Runaples Trust Co., Ltd., 121, Queen Victoria Street, London, E.C.4, or to Electric and Railway Finance Corporation, Ltd., Claridge House, 32, Davies Street, London, W.1.

BONDOR LIMITED

RECORD SALES

MR JOHN GOODENDAY'S STATEMENT

The twenty-fifth Annual Ordinary General Meeting was held on April 20th at 10c, Hanover Square, London, W.1. the following is the statement by the Chairman, Mr John Goodenday, circulated with the report and accounts:

This is the twenty-fifth year of the Company's existence and it is therefore with pleasure that I am again able to report that sales in 1952 constituted a record. Despite the well-known difficulties of the textile industry, all the Company's manufacturing units operated on full time throughout the period.

The increase in cash value of sales amounted to 6½ per cent but as the average selling price of our merchandise was approximately 10½ per cent lower than in 1951, the unit volume in fact increased by 19 per cent. Due to the fall in overseas demand and in the main to the restriction of imports into Australia, there was some decline in the Company's export business.

HOSIERY DIVISION

With regard to the Hosiery Division, Stockholders may be interested to know that the Company's output of fine gauge full-fashioned stockings has now reached 250,000 pairs a week. For a period last spring the home market was freely supplied with nylon hosiery due to the release of large stocks arising from frustrated exports. Whilst this Company encountered no difficulty in selling its production of nylons, the temporary surplus caused a slump in the demand for non-nylon stockings during the summer months. In consequence stocks of this merchandise accumulated in our warehouse, but by autumn this situation rectified itself and our overall production of hosiery was again heavily oversold.

UNDERWEAR

The Underwear Division had a more difficult year. The biggest element in cost is fabric and as conditions in the trade became increasingly depressed, distressed stocks of materials and of made-up garments were being freely offered in the trade. As fabric prices fell so we wrote down our stocks. By the end of the year a higher volume of sales had been achieved although the money value was slightly less than the previous year. These trading conditions necessitated an unusually large number of style changes in the production lines at the underwear factories, and these factors, coupled with lower selling prices and substantial losses on fabric and finished garments, are reflected in the reduced profits shown in the Accounts Although stocks of fabric and finished garments are well below the level of the previous year, they were higher at the end of 1952 than was desirable, but this position is steadily improving.

Our confidence in the strength of the brand Kayser Bondor is reflected in the level of sales which has been attained in recent months during which more normal market conditions have prevailed. It has justified our policy of maintaining full production throughout last year.

Capital expenditure amounting to £339,808 was incurred in 1952 and was mainly in respect of new fine gauge hosiery machines. A number of machines were scrapped in accord with our policy of replacing old machinery in all departments as improved equipment becomes available.

Reference should be made to a new project at the Baldock factory where a plant comprising the most modern machines for the production of ribbed vests has been installed. The initial production has been well received by the trade and the public.

NEW PREMISES

Since the close of the financial year we have entered into a contract for the purchase of the lease of 24, Albemarle Street, W.1, a building previously occupied by the Court Jewellers. It will be recalled that the Company's original London premises were destroyed during the war and that alternative premises were obtained in Hanover Square. These premises have become too small as the business of Kayser Bondor has expanded. The new premises are particularly adaptable for London showrooms and administrative offices and will provide double the existing accommodation. It is anticipated that the building will be ready for occupation in June. The lease has been acquired at a cost of £108,000 by this Company and will be financed out of its own resources.

The accounts are set out in full detail and so I will only make brief comments thereon.

In the Consolidated Profit and Loss Account the profit from trading operations amounts to £1,071,594 and the Net Profit available for distribution after providing for Depreciation, Debenture Interest, Taxation and other expenses, amounts to £285,746.

The large burden thrown upon industry in the form of Excess Profits Levy is unfortunate for this Company. As two of our principle factories were requisitioned during the war, the first two postwar years were a period of reorganisation and the benefits of our long-term programme were only obtained after the period on which our standard profit is based. In consequence, we are penalised for our enterprise and a large proportion of our earnings are liable to Excess Profits Levy.

DIVIDEND AND ALLOCATIONS

With regard to the profits available for distribution, the Directors recommend a Final Dividend of 15 per cent, less tax. This Dividend, together with the Interim Dividend of 10 per cent, less tax, already paid, will make a total distribution for the year of 25 per cent, less tax, and the total cost of these dividends will amount to £85,312. The Directors recommend that £200,000 be transferred to General Reserve. In addition the sum of £200,000, which previously stood to the credit of Reserve for Contingencies has been transferred to General Reserve. The result of the above appropriation and of the transfer from Reserve for Contingencies will be to increase the General Reserve from £700,000 to £1,100,000. Moreover £6,710 has been appropriated to Capital Reserve for reasons which will be apparent later. The amount of profit to be carried forward will be £107,674 as compared with £113,950 brought forward from the previous year.

It is also proposed to utilise the sum of £6,772 standing to the credit of Share Premium Account, together with the Capital Reserve of £43,228 (which includes the £6,710 appropriated from Profit and Loss Account), making a total of £50,000, by distributing this amount to stockholders in fully paid Ordinary Shares of 5s. in the proportion of one new Ordinary Share for each 13 5s. units of Ordinary Stock held by them on March 26, 1953. The new Ordinary Shares will thereafter be converted into stock ranking *pari passu* with the existing Ordinary Stock. Fractions will be sold and ordinary stockholders will receive the appropriate amount in cash. In view of the fact that the Authorised Capital of the Company is £650,000 and that this amount has all been issued, it is proposed to increase the Authorised Capital from £650,000 to £1 million. The necessary resolutions to cover the increase in the Authorised Capital and the issue of the new shares will be submitted at the General Meeting as Special Business.

Turning to the Consolidated Balance Sheet, it will be noted that Stock in Trade (in the consolidated figures) is £1,356,404, a decrease of £286,910 as compared with the previous year. Debtors and Payments in Advance amount to £943,431 as compared with £985,630, but the reduction in the rates of Purchase Tax has affected this gross figure. Excluding the element of Purchase Tax, actual Book Debts are £108,000 in excess of the previous year. Our cash resources at the end of the year were £463,784 as against £316,861 at the end of the previous year.

CURRENT YEAR

One must be guarded in anticipating the trend of business during the current year. There is greater stability in the price of raw materials than a year ago; our turnover so far has been increased and there are better prospects in the export markets. There is abundant evidence of the continued growing esteem with the trade and public for our brand Kayser Bondor. Research and development work has been intensified within the organisation and our technicians in every section strive to improve the quality of our merchandise.

Mr Michael Colefax, who has rendered valuable services to the Company since he joined the board in 1934, was appointed Deputy Chairman with effect from January 1, 1953. In his new appointment he will be devoting more of his time to the business of this Company.

TRIBUTE TO STAFF

The annual tribute to the staff is apt to become somewhat of a platitude. In the year under review much additional work was imposed on the manufacturing personnel and the sales force. I should like to express my deep appreciation of the loyal and able service rendered by the Executives, the sales force and all our employees in 1952. It is no exaggeration to say that throughout our organisation there is an exceptional spirit of loyalty and enthusiasm.

W. & A. GILBEY, LIMITED

CHAIRMAN'S STATEMENT

The annual general meeting of this company was held at Gilbey House, London, N.W.1, on April 20th.

The following are extracts from the speech of Mr Ronald Gilbey, the chairman:

The global sales of our products showed a gratifying increase both in quantity and value. This applies particularly to the home market, except Eire, where the duty on spirits was substantially increased during 1952 and our sales of Irish whiskey in several popular brands showed a sad falling-off, the price having outstripped the purchasing power of the public.

The introduction of the full range of inexpensive French table wines, including some from our own vineyard, to which I referred last year, has been highly successful. It is evident that these wines have filled an appreciable want and that wine at a popular price is still in demand. Our sales of sherry, gin and our well-known wine cocktail "Odds On" have been well maintained, and so have sales of port, for which our brands have such a deservedly high reputation, but we cannot look for much increase as long as the high rate of duty is continued. We have, through our representatives, supported the efforts of the trade to persuade the Chancellor to reduce the general level of duties, a step which we believe would benefit the Exchequer as well as ourselves. But, even as matters stand, the ratio between the duties on dessert wines and table wines is very much out of balance, the present rate of duty on the high-strength wines being six and a quarter times the pre-war rate, standing at 50s. per gallon, against 13s. for beverage wines. For many years before the war the ratio between the rates of duty on the two types was approximately 2 to 1, and we feel that this ratio should be restored.

In Canada our sales of gin and also of our three brands of Canadian rye whisky have all shown substantial increases. It was not possible to make sufficient matured whisky available to meet all demands, but next year our stocks will be larger and we are confident of being able to sell the additional supply.

In USA, where the sale of the ten millionth case was observed with nation-wide publicity, Gilbey's gin keeps its place as second to none in the public favour. A few weeks ago we were grieved to learn of the untimely death of Mr Seton Porter, the founder and architect of the National Distillers Products Corporation, who have for many years given us the benefit of their fine organisation in that great country. We offered his colleagues our sincere sympathy in their sad loss. His successor as president is Mr J. Bierwirth.

The trading profits show a decrease compared to the exceptional figures of 1951, although they still compare favourably with the 1950 figure. I consider the final result not unsatisfactory. The consolidated balance sheet now shows net assets of over 6¼ million pounds, an increase of nearly £400,000 during the year. As stated in the directors' report, the general reserve has been substantially strengthened and we have, therefore, felt justified in maintaining the dividend at the same rate as last year, including the bonus of .6d. per share.

We are also carrying out a more modest, though important, scheme of re-equipment at our Dublin stores. These premises comprise excellent buildings in a fine, central situation. After this modernisation, we shall be able to give our customers in the Republic of Ireland, where we have always been firmly entrenched and where our goodwill stands very high, a distribution service equal to the best.

The report and accounts were adopted.

UPSONS LIMITED

(The Dolcis Shoe Company)

INCREASED SALES

The thirty-third annual general meeting of Upsons Limited was held on April 16th in London.

Mr F. J. Stratton (chairman and managing director), in the course of his speech, said: The year 1952 will be remembered as one of greater difficulty for the footwear industry. Disastrous fluctuations took place in the price of its main raw material—leather, purchase tax under the new D Scheme added to the problems of those trading in medium to higher-priced merchandise and costs of all kinds continued to rise while consumer resistance to price increased. Our general strength nevertheless is unimpaired. Though the industry as a whole was compelled to reduce its production, we have succeeded for the sixth year in succession in achieving an increase in unit sales.

FIRM AND SOUND POSITION

Though net profit at £746,359 is some 18 per cent lower than last year, we have come through our tribulations well and, in the circumstances, we consider the results to be very satisfactory. We are in a firm and sound position to tackle the problems of 1953-54.

We have continued our previous policy of steady expansion. I believe the Bristol store opened in the new Broadmead shopping centre on August 28th is an outstanding example of all that is best in modern store design and not surpassed elsewhere in the world. On the day that we opened this store we were able to open our second store in Toronto, our third in Canada. This new store is already trading up to target. Our fourth new Canadian store will open in London (Ontario) on May 1st simultaneously with the opening of our newest branch in London (England) at 212, Piccadilly. At home six new stores have been opened and modernisations completed at eight others.

BUDGET CHANGES

The Chancellor's new budget contains welcome changes and we applaud the principles upon which it is based. The reduction of the standard rate of income tax is a helpful step in the right direction and encourages us all. Although provision for the final dividend has been made in the accounts on the basis of the old standard rate of tax, we propose the deductions shall now be made at the new rate of 9s. in the £ and we feel sure the shareholders will give us their indulgence for the inevitable delay which will follow while the dividend warrants are reprinted. They will now be payable on May 1st. The maintenance of purchase tax on footwear at the old rate under the much disliked D Scheme is to be deplored because of its adverse effect on quality and craftmanship which are vital to us in home and export markets alike.

I do not share the opinions of those who take an easy optimistic view of trading possibilities in 1953. We expect to see increased buying of fashion shoes throughout the Coronation and holiday period, but the movement is late in starting and spring trade has been disappointing. The leather market is in a dangerous condition and the public has less money to spend. It is a time to watch out; to keep stocks down and clean and to be sensitive to the rapidly changing needs of the public. We are well equipped to do all those things and you can rely upon us not to fail in our duty.

The report and accounts were adopted.

RHEOSTATIC COMPANY

CONTINUED EXPANSION

The annual general meeting of the Rheostatic Company, Limited, was held on April 23rd at Slough.

Mr M. J. Gartside, BSc (Eng), AMIEE, MAmerSoc H and VE, chairman of the company, in the course of his speech said: I am happy to report continued expansion of the company's business in the year under review. Turnover has increased by 18 per cent compared with the previous year, with a commensurate increase in profit. The profit before taxation was £116,585, taxation at £72,000 leaving a net profit of £44,585. The board recommends an increase in the final dividend to 15 per cent. This makes a total of 19 per cent for the year, comparing with last year's figure of 16½ per cent.

POSITION WELL MAINTAINED

Your company's position has been well maintained in all its markets. The increased output of Satchwell temperature controls has been applied to many new buildings both at home and overseas and to a wider range of industrial processes.

The demand for Satchwell thermostats for domestic electric water heaters and cookers has remained at a modest level compared with that existing a few years ago, but again your company's position has been upheld. Overseas markets provided an increasing outlet for your company's manufactures, and the proportion of export to home sales has been maintained in the record figures of the past year.

I am particularly pleased to report a considerable advance in turnover of both Service and Satchwell resistors for application in heavy industry and electric traction. Subsidiary companies overseas have contributed very profitably to the group figures which you have before you, and record figures of sales and of profit were achieved both in France and South Africa.

Your company is at present fully engaged in meeting the demands of its customers and continues to achieve a high output. A further wage increase took place in the engineering industry in November last, but in view of the improvement in productive methods the additional cost has been absorbed, and we have refrained from passing any increase on to our customers.

This year there is no danger of losing business due to long deliveries nor have we an order book extended to a year ahead; we have now returned to conditions where the company is meeting the short-term demands of its customers in an atmosphere of healthy competition. Planning for the future is consequently more difficult than it was a year ago, but your board is confident that, subject to no unforeseen circumstances arising between now and the end of the current financial year, a satisfactory level of profits will be maintained. This confidence is enhanced by the Budget proposals, which are likely to give encouragement to all our home markets.

NEED FOR FURTHER CAPITAL

Reference to the accounts will show that the company is using a much larger bank overdraft than ever before. At the time of the last share issue nearly two years ago, your board did not foresee expansion as great as that which has taken place, and was consequently too conservative in the amount of additional capital then requested. The position now calls for some further increase of working capital, and your board, being fully confident of the future, is exploring the most advantageous means of raising this at an appropriate time.

The report and accounts were adopted.

DERBYSHIRE STONE

MR JOHN HADFIELD ON EXPANSION OF BUSINESS

The seventeenth ordinary general meeting of Derbyshire Stone Limited was held on April 23rd at Matlock Bath, Derbyshire, Mr John Hadfield, MSc, ARIC (chairman and managing director), presiding.

The following is an extract from his circulated statement dated March 31st: The gross profit for the year ended December 31, 1952, was £264,205, compared with £236,172 for the preceding year. The net profit remaining after all charges and taxation of £91,000 was £73,418 as against £55,834 in 1951.

The company's trading is expanding and your directors consider it advisable to raise at the present time approximately £50,000 to provide further working capital. It is intended now to offer 150,000 ordinary shares of 5s. each for subscription at 6s. 8d. each to existing ordinary stockholders on the basis of one new unit for each eight units held.

At the annual general meeting resolutions will be proposed to increase the share capital of the company from £850,000 to £950,000 by the creation of 400,000 ordinary shares of 5s. each.

SPECIAL ACTIVITIES DURING 1952

Reference has been made at previous annual general meetings to your company's interests in the search for lead and other minerals in the Matlock area of Derbyshire. A new company, Matlock Lead Mines Limited, has now been formed in collaboration with Johannesburg Consolidated Investment Company Limited to continue the exploration with an initial capital of £100, in which your company holds 32½ per cent of the shares. If the exploration proves successful, your company's proportionate shareholding in the increased capital of Matlock Lead Mines Limited would probably be on a similar basis.

The first of the two large new blast furnaces at the Shotton Works of John Summers & Sons Limited, is now being operated by that company, and Derbyshire Stone Limited is carrying out investigations with the object of ascertaining the suitability of the slag for roadmaking and similar purposes.

During the year the ore-dressing plant at the company's Fluorspar refinery has been further extended. The national demand for this important mineral, Fluorspar, in Great Britain, is increasing and your company, as the largest producer, is securing its full share of the increased demand.

Cawdor Quarry, Matlock, is the largest property owned by the company. A large and completely new plant for the manufacture of tarmacadam and bituminous macadam for roadmaking purposes has been built.

The new properties at Louth, Lincolnshire, and Foss Cross, Gloucestershire, are running satisfactorily and justifying their existence.

PROSPECTS

I believe that, providing there are no national or international crises, the results for 1953 will show an appreciable improvement over those for 1952.

In recent years there has been a criticism of the working man. As managing director of this company in addition to being chairman, I do not accept this criticism in relation to the men who work for Derbyshire Stone Limited. They are worthy people; they give of their best; they do a fair day's work, and I pass to them my thanks.

The report was adopted and the increase of capital was approved.

JOSIAH PARKES AND SONS, LIMITED

REDUCED PROFIT MARGINS

The annual general meeting of Josiah Parkes and Sons, Limited, was held on April 17th, at Willenhall, Mr Cyril W. Parkes, JP, chairman and joint managing director, presiding.

The following is an extract from his circulated statement: The outstanding feature of the accounts for the year ended December 31, 1952, is the fall in consolidated net profit to £158,635 from the record level of £198,681 in the previous year. This fall was mainly due to increases in manufacturing costs. The position was aggravated by a falling off of demand in the latter part of the year which necessitated a reduction in output, and although total turnover was maintained in value at much the same level as the previous year, increases in operating costs narrowed the profit margin.

DIFFICULT CONDITIONS

In my review last year I mentioned that the international situation was still very obscure, and that overseas trading was extremely difficult. These difficulties were accentuated in 1952. Visits by directors and staff to a number of overseas markets confirmed our opinion that our products, prices and deliveries were satisfactory. Our customers want our goods, but in many countries are unable to obtain them owing to political and economic difficulties outside the control of our customers or ourselves. We have at the moment a substantial volume of orders held up for these reasons. Fortunately, our home trade has been maintained at a satisfactory level. The South African Company also operated on a smaller profit margin.

Despite these adverse factors the net trading profit was still higher than that of any preceding year except 1951, and your directors consider the result not unsatisfactory in the circumstances. The level of profit was such that we considerably exceeded our EPL standard, and although the profit for the year is down, the total tax chargeable is higher by £3,366 than in the previous year. The total amount that it has been necessary to provide for UK taxation is nearly two-thirds of the total profit. At the moment the volume of orders is better than in the latter part of 1952 and the sales outlook is not unpromising. There is, however, still a tendency for profit margins to become even narrower.

DIVIDEND AGAIN 15 PER CENT

Having regard to the fall in the trend of profits, the heavy incidence of taxation and the uncertain outlook, your board decided after careful thought to recommend that a final dividend of 10 per cent, less tax, be paid again, making a total of 15 per cent, less tax, for the year, as before.

As to future prospects, conditions in overseas markets continue uncertain, whilst at home general business conditions have become unsettled, although the outlook for the building trade seems quite bright. The greatest problem facing us as manufacturers, and of vital importance to the country as a whole, is the expansion of our export markets. British manufacturers can and will compete with any in the world in quality, patterns and prices, without exhortation, given an opportunity. The Government could do more of practical benefit to widen the opportunities for trade by greater concentration on policies designed to remove some of the handicaps.

The report was adopted.

THE RIO DE JANEIRO FLOUR MILLS AND GRANARIES

The sixty-seventh ordinary annual general meeting of The Rio de Janeiro Flour Mills and Granaries Limited was held on April 23rd in London, Mr G. McT. Sheppard (the chairman) presiding.

The chairman said that he was pleased to be able once again to report a good year of trading, the group profit attributable to the company being £1,091,808, as compared with £1,008,890 the previous year.

The chairman said that in the flour mill trading had again been very much of a mixed character, due to the extremely limited supplies of wheat that had been made available. At times it had been necessary for the flour mills to close down temporarily for lack of wheat, which, of course, affected the earning capacity.

The Brazilian authorities were obliged to turn to North America for most of the country's needs, which had of necessity to be very restricted because of the shortage of dollars.

As to the future, it was impossible to say what this had in store, because so much depended on adequate wheat supplies being made available in order to be able to maintain maximum grindings in the flour mills, for the demand for bread throughout Brazil, which was continually increasing, was nothing like satisfied.

As regards the current financial year, the chairman said that although the shortage of wheat supplies had continued, prospects were brighter and the first shipments of Argentine wheat were on the way.

The report was adopted.

CONWAY STEWART

(Fountain and Stylographic Pen and Gold Nib Makers)

POSITION FULLY MAINTAINED

RECORD SALES

MR. S. W. JARVIS'S SPEECH

The eighteenth annual general meeting of Conway Stewart & Co., Limited, was held on April 21st at the Holborn Restaurant, High Holborn, London, W.C., Mr S. W. Jarvis (chairman and managing director) presiding.

The secretary (Mr W. G. F. Nash, ASAA) having read the notice convening the meeting and the report of the auditors,

The chairman said: It is with the greatest pleasure that I present to you the accounts for 1952, which show that the company has fully maintained its position. This, in spite of the further restrictions of imports by certain countries, which I reported to you last year. During 1952 the total value of sales of the products of your company reached a record figure. The net profit for 1952 was £28,483 after making full reservation for depreciation of plant and taxation. This compares with £25,121 in 1951, when there was an over-provision for taxation of £2,400, which has been credited in 1952.

BALANCE SHEET CHANGES

Turning to the balance sheet, you will notice that the main change is in the current assets, which are £266,904 against £251,215. Although the stock was down by £22,467, the debtors and bills were up by £11,323 and the cash had increased by £26,833, making a net increase of £15,689 in the current assets. You will thus see that our financial position

is very liquid. The goodwill of your company is stronger than ever, and if it were not for the factor of the effect on commerce of "world politics," I should feel confident of continued expansion.

I regret to tell you of the death of Mr Thomas Howard Garner on May 29th last. He was one of the founders of the company, and also joint managing director for many years. His loss has been keenly felt by us all.

TRIBUTE TO STAFF

It gives me very great pleasure to pay a tribute to all members of our staff, who have continued to give us their full support and co-operation.

The report and accounts were unanimously adopted, and a final dividend of 30 per cent (making 40 per cent for the year) was approved.

The retiring director, Mr Frank Capper, was re-elected, and the remuneration of the auditors, Messrs Chalmers, Wade and Company, having been fixed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

BANK LEUMI LE-ISRAEL B.M.

MR S. HOOFIEN ON AGRICULTURAL DEVELOPMENT

The annual general meeting of Bank Leumi le-Israel B.M. (formerly The Anglo-Palestine Bank, Limited) was held on April 9th in Tel-Aviv, Israel. Mr S. Hoofien (the chairman) presided.

In his introductory remarks the chairman referred to the stock bonus of IL. 1 stock for every IL. 3 held which had been issued to stockholders during November, 1952, thereby increasing the issued and fully paid capital from IL. 1,200,000 to IL. 1,600,000. The balance of net profit amounting to IL. 455,705 compared with IL. 374,975 for the previous year. Out of this sum an amount of IL. 200,000 had been appropriated to the payment of dividends to the stockholders. An interim dividend of 6 per cent subject to tax was distributed on the original capital of IL. 1,200,000 in November, 1952, absorbing IL. 72,000, leaving a sum of IL. 128,000 to be distributed as a final dividend at the rate of 8 per cent subject to tax on the increased capital of IL. 1,600,000. An amount of IL. 250,000 had been allocated to the reserve fund, bringing it up to IL. 1,450,000. Deposits stood at IL. 100,508,659 (1951, IL. 92,552,035) and loans at IL. 60,972,832 (1951, IL. 49,886,371).

Mr Hoofien reminded the meeting that the Anglo-Palestine Company, Limited, opened its first office in Jaffa in the summer of 1903, and the bank would therefore be celebrating its fiftieth jubilee within a few months. He mentioned that there were very few enterprises in the country which had not, in one way or another, been supported by the bank during that period.

In analysing the statistics of credits granted by the bank, which represent some 50 per cent of the total credits granted by all banks in the country, the chairman emphasised that the greatest care was taken to grant credits only for purposes vital to the economy.

He then turned to the main theme of his address, and called for re-examination of the country's agricultural development policy. This had undergone no radical change after the setting up of the State in spite of a basic change in the Israel economy. After the disappearance of the Arab farmer Jewish agriculture had, indeed, expanded considerably, but the general lines of agricultural development had not altered. It was mainly based on livestock production with some vegetable and fruit growing. The very large additional areas accruing as a result of the flight of the Fellahin were largely used to grow fodder for animal consumption. The turning of greater areas to the production of food for direct human consumption and for industrial crops would considerably ease the strain on the country's foreign exchange position. The large areas of hill-pasture should be used for feeding cattle, sheep and goats, as was done by the Fellahin in mandatory days. The upshot of such a re-orientation of the country's agriculture would be a better supply of food on which less foreign currency would be spent.

The accounts were unanimously adopted and the proposed dividend approved.

THE UNITED KINGDOM PROVIDENT INSTITUTION

RECORD VOLUME OF NEW BUSINESS

FUTURE PROVISION OF RISK CAPITAL

MR JOHN BENN'S SPEECH

The one hundred and twelfth annual general meeting of the United Kingdom Provident Institution was held on April 15th. Mr John Benn, the chairman, reported that the net new sums assured in 1952 had increased to £7,275,808, the highest figure in its long history. The premium income rose to £2,745,725, and the rate of interest earned on the fund was £5 15s. 5d. per cent gross or £4 3s. 10d. net.

The position is so encouraging that the Directors have decided that the interim bonus payable on all claims arising on and after April 15th by death or maturity and prior to January 1, 1954, shall be increased to 37s. per cent per annum on policies in the General Section and 39s. per cent per annum on policies eligible for the Temperance Section bonus, representing an increase of 2s. per cent per annum on the rates fixed at the last valuation.

The Directors have issued a supplement to their latest report and accounts, designed to take the reader behind the scenes of life assurance. As the first detailed study of its kind this breaks new ground; and its title, "Our Policy—and Yours," reflects the mutual character of the Institution which is responsible for its strength today. Copies are available to the public, and should help to explain the importance of life assurance savings to the nation.

This Institution's long standing practice of investing in equities is spreading, to judge from the reports of other mutual life offices. Our holdings in ordinary shares represent more than 40 per cent of our marketable securities or 20 per cent of our total assets. While most of these are in well established concerns they include some investments in new and developing enterprises both in this country and the Commonwealth.

Apart from the capital that insurance companies directly invest in equities, they are large participants in the Finance Corporation for Industry and similar bodies, the latest example being the Estates Duties Investment Trust Company. It is easy to underrate what the insurance companies are already doing for industry, but I believe that they must be prepared to extend their holdings in new as well as tried ventures, a view which I note is shared by Mr E. H. Lever. The subject calls for further study in the circumstances of today, for all will suffer if the fixed interest mentality should come to dominate British industry through lack of resources for taking risk and promoting enterprise.

In viewing the financial outlook today, the increasing sums being saved through life assurance provide one of the brighter features, and the United Kingdom Provident Institution, which has served its members in six reigns, will continue to play a vigorous part in this valuable movement.

THE LONDON AND LANCASHIRE INSURANCE COMPANY LIMITED

SIR ARTHUR S. ROGERS' REVIEW OF THE RESULTS

The annual general meeting of The London and Lancashire Insurance Company Limited will be held on May 13th at 7, Chancery Lane, London, W.C.2.

In a circulated statement, Sir Arthur S. Rogers, chairman, reported that the company had experienced another year of substantial progress and that the total premium income had advanced by more than £2 million to £27,676,108. The total profit was £1,346,803, an increase of £332,000.

FIRE DEPARTMENT

The fire department, which is the largest department, had yielded a record profit of over £1 million. Fire damage in the United Kingdom was higher in 1952 than in any previous year, and in the United States the fire wastage was substantially higher and constituted a record for that country. Canada had the same experience, and the constant increase of fire wastage gave cause for serious concern.

ACCIDENT DEPARTMENT

The accident department premiums had increased substantially to £10,956,000, but that department had produced a loss although less than one-half of that of the previous year. Motorcar insurance again resulted in a loss in every important territory where the company operated, and employers' liability claims, particularly in this country, were an important consideration.

MARINE DEPARTMENT

Marine insurance business, which was conducted by "The Marine" and the "Standard Marine" had produced very substantial profits, which related to 1950 and previous years and it was clear that subsequent years would not be so good.

The Law Union and Rock Insurance Company Limited, which handles the life business, had had a very good year and had been very well looked after.

The interim dividend last November was increased by 6d., making the total dividend for the year 6s. per £1 stock, i.e., 2s. 9d. interim and 3s. 3d. final. While the directors had not recommended a further increase in the final dividend, they intended—and so far 1953 had gone reasonably well—to pay an increase of 6d. in the interim dividend payable next November, thus equalising the interim and the final.

During the year Sir Arthur visited the United States, Canada, Peru and Cuba, and visits abroad, he commented, were very helpful in forming one's views and in confirming how efficiently the "London and Lancashire" organisation operated.

Tribute was paid in the statement to the general manager, Mr Thomas Wallas, who would be retiring on May 31st, his deputy, Mr F. J. Cottle, who was to succeed him and the other executive officers and the staffs.

SPRING BOOKS
1953

Author's Pay

MUCH has been said lately about the unstaunched wounds in the body of literature—the impossibility of getting a living wage from authorship. The tale is usually told in terms of the "creative writer," essentially the novelist. The public seems predisposed to think of the problems of publishing and authorship—when it thinks of them at all—in terms of success or failure in the marketing of novels and plays. For that reason the public, influenced doubtless by the puritanism in the English subconscious, cannot find it in its heart to take the emergency seriously. The Chancellor of the Exchequer is a noble exception. Yet of the 18,000 new titles and reprints published yearly, only a small number are fiction. Novels produce only a small part of the £14 million earned yearly by exports of books (author's overseas royalties benefit the balance of payments by a further sum). Of Britain's 350 publishers, less than a score live even substantially from the novels in their lists, and several of these have recently given up the unequal struggle. The great proportion of publishers', authors' (and printers') income from books is earned from serious books—general non-fiction and textbooks.

What rewards—what inducements to continued effort and output—do authors of "serious books" command? Their position today is probably somewhat happier than that of the average "creative writer" though this is not necessarily saying much. Relatively few of them, however, seek to live by their books; nor is it so usual for the neophyte to wish to live wholly by his pen while acquiring experience. The non-fiction writer in the majority of cases obtains the material for his books while practising some other profession, of which teaching is the most important. Falling incomes from royalties may produce chagrin and even household economies, but hardly turn a man from his vocation.

Non-fiction writers, however, fall into two classes. The writing of school and university textbooks has always paid pretty well, and it still pays well. The expansion of secondary and higher education has permanently increased the textbook writer's market; and his overseas market has grown also. His advantages over other authors have become more marked in the postwar period. His market is larger and surer, but, more important, the life of his product is much longer. There are fashions in textbooks, and, especially at the advanced technical level, they must be kept up to date or superseded; but ten years is a reasonable expectation of life, and is thus unsurpassed by the hopes of most other writers, except the handful of geniuses who write to withstand the centuries. The very keenness of competition, particularly in the schoolbook market, requires educational publishers to spread plant costs over several printings and to think in terms at least of a ten-year life for a competitively priced book. But the author gets his ten percent or so; and this means a regular and calculable annual cheque for the textbook writer. It means further that the energetic and successful textbook writer can hope to have a number of books in print simultaneously and all selling steadily. Sales will depend on the book and many educational changes will affect them, but even modest sales from ten books or so in print add up to a very comfortable additional income. Only well-established names outside the educational field can now achieve this—and often not till they have well passed the prime of life.

Writing textbooks is in its own way an art, and not every teacher can master it. Publishing textbooks is a skilled trade also; the publisher must have his contacts in the educational world and be ready to produce books as examinations, syllabuses and subjects change. He picks his authors with care; and authors stand to gain immeasurably from working for a well connected publisher. Incomes from textbooks vary. An educational publisher would regard a 7s. 6d. grammar school textbook as successful if it sold 10,000 copies a year; it would thus make £350 a year for its author.

But even the average return on a textbook makes non-educational authors' mouths water. It is not uncommon for an author to derive £100 to £150 a year for ten to fifteen years from a single book written in the course of one or two school holidays. On the other hand, an advanced science textbook selling only 1,000 copies a year at a published price of two guineas may bring its author a regular £300 a year in recompense for two years of initial hard work and more or less extensive revisions every three years thereafter. It should be clear from this that while small but steady incomes to buttress scholastic salaries may be the rule, it is far easier to make a good income out of textbooks than in any other form of writing—and probably easier to make a fortune. A scientific author with half a dozen or so good textbooks in print may have a steady £2,000-£3,000 a year. A famous Latin grammar, published a hundred years ago, still sell a comfortable 15,000

copies annually; a medical textbook, almost equally venerable and ten times dearer, sells more copies in its current edition yearly than the annual intake of students at all British medical schools combined.

Only a small group of established authors outside the educational and specialist fields can hope to make comparable livings from the general public's demand for serious books. It is doubtful whether even best-selling political biographies, outstanding feats of travel or endurance, or the most successful scientific wonder-books can compare with educational books—even economics textbooks—as investments of time, trouble and literary talent. For what they gain in astronomical initial sales they lose in the brevity of their earning life. It is not unknown for a publishing "sensation," which sells 100,000 copies in the year of publication, to drop to a sale of 1,000 in the second year, and a few hundred in the third. The effective life of general non-fiction is a year; so much so, that booksellers will not reorder. Income tax, therefore, heavily penalised the author who had to take all his earnings in a year from a book which took two or more years to produce. Mr Butler has partially righted the wrong by allowing him to spread his earnings over two or three tax years. But of many books it might be said, as a painter said of his picture: "How long did it take to paint it? A week—and my whole life." Some books take a year to write—and a man's whole life. The operation of income tax will thus still heavily favour the schoolmaster-author with his well-spread annual sales. A good fourth form geography does more for its author than the most shattering exposé of postwar politics or biographical study of Nazi generals.

The average non-fiction book, however, sells nothing like so well. It is true that editions are larger than before the war; they have to be to cover the increased cost of production. A publisher must sell 1,500 copies of a serious book (which is more expensive to produce than a novel) to cover his prime costs, and a further 1,000 to make his overhead; his profit comes from the last 500 copies of an edition of 3,000. During the immediate postwar boom, most books, in fact, made a profit, but today three-quarters of the titles published make little more than their prime costs; perhaps one in ten makes a profit for the publisher, and as much as £400 in advances and royalties for the author. New—even garish—light on eminent Victorians, for example, cannot according to publishers be guaranteed to sell more than 3,000 copies in present-day conditions even from authors with established reputations. A sale of 5,000 for a serious book is a palpable hit. If published at a guinea, this brings the author something over £500 for perhaps two years' work. The majority of books earn far less; many, less than £100.

Although Mr Butler's concession will help, it will not go far enough. Even an established author finds it hard to keep a list of books in print which sell, if only in hundreds, at least reliably, so that he has a basic income to operate from. For even if a book sells out its first printing, the cost of reprinting is prohibitive. Printing and binding costs are up 250 per cent since 1939; paper has risen from 2¾d. per lb to 1s. 1d. (it touched 1s. 7d.); and incidentals have increased *pari passu*. A publisher, therefore, hesitates to risk a new edition. Even worse, he justifiably hesitates to keep type standing. The cost of renting type is now so high that if a book's sales drop below even 250 a year, it loses money if kept in print.

Yet many valuable books never sold more than 300 a year. Before the war an author with several such modest sellers had a small but helpful income. Not only do such books now go out of print, but the cheap reprint (apart from the Penguin) has almost disappeared. Before the war there were not only half-a-crown and five-shilling editions of books first published at fifteen shillings, but booksellers were ready to take the original edition at half-price, in a new jacket, as a cheap edition—much as films first appear at the West End and later circulate in the suburbs at a third the price per seat. This is no longer possible; only the latest titles, and the standard editions, get into the overburdened shelves of booksellers today.

The rewards of authorship are therefore mainly to be sought elsewhere than in royalties. Books are an advertisement; they may even get a man a professorship. They justify the work and love put into them in other ways. But though this may mean that publishers will not lack manuscripts, it does not mean that all is well. Publishers are less able than ever to take a chance—less able to buy a book for its long-term future. Many of the most influential books of the past—seminal books—had small initial sales, and had to wait for another generation to discover them. It is deplorable that today such books stand less and less chance of getting printed. Indeed, the growing difficulties of publishing serious books amount to the gradual destruction of the one channel through which, in a mass society, minority opinion can make itself heard and slowly but surely effective. Only by a drastic reduction in the cost of book-making, and an increase in the habit of book-ownership, can this distressing tendency be righted.

Dedicated Explorer

EXPLORATION FAWCETT.
By Colonel P. H. Fawcett, arranged from his manuscripts, letters, log-books and records by Brian Fawcett.
Hutchinson. 312 pages. 15s.

It is very nearly twenty-eight years since Colonel Fawcett disappeared on his quest for a lost civilisation, a fabled, pre-Inca city of white Indians, marooned in an inner area, bordered by a waterless belt and insulated by an unknown region said to be infested by tribes of unsubdued savages, somewhere between latitudes 10°30′ and 11° in the Matto Grosso of Brazil. Here he believed that he would make the most stupendous discovery of modern times, which would immeasurably further historical and anthropological knowledge.

Some men travel for adventure, some for notoriety, and some for money. Fawcett explored because he could not help it. He wanted no personal glory or gain—"Because my price was paid me ten times over by my Maker." From 1906, when he was offered the chance of boundary delimitation in Bolivia, with a minimum of equipment and desultory official encouragement, until 1925, when with his eldest son and young Raleigh he set off from Dead Horse Camp, his life was a dedicated prelude to his "Quest."

Mr Brian Fawcett has wisely chosen to publish his father's notes and letters with a minimum of editing. For exploration is an unglamorous and exhausting affair; one anaconda is much like another; shooting rapids is terrifying, thrilling, a test of skill, and a heartbreaking chore—in that order; the approach to hostile Indians inevitably demands the risky technique of unarmed friendliness to secure co-operation and hospitality. The very reiteration of events bears witness that courage is an occupational qualification, and that the most insidious enemy of endurance is monotony. The character that emerges from these simple records and anecdotes is that of a patient, stubborn, kindly and rather prim Don Quixote of the *montaña*, tilting against every odd in the gamut of a tropical forest; crashing his way through impenetrable jungle; ignoring torture by climate and insect, the frustration of disease and exhaustion, the menace of beast or savage—in a fascinated pursuit of a will-o-the-wisp. An unbroken and dangerous trail was an unfailing stimulus. Advice that it had better not be attempted was as a lodestone to a magnet; prognostications of disaster were irresistible. And so he traversed his persistent way, untouched by disease, befriended by cannibals, ignored by deadly reptiles, undaunted by failure. The amazing thing is not that, finally, he succumbed, but that he was able to carry on his flirtation with death for so long.

His last preparations were haunted by misgiving. Years of delay, due to war, lack of funds or backing, and the indifference of scientific opinion, put off the final expedition until he was fifty-seven, and though his faith in his promised land was never dimmed, he began to doubt whether he would possess it. For the first time the pack of forty pounds which had to be carried for months on end became a burden. But his final gallant message to his family—"You need have no fear of any failure"—makes a fitting epitaph, as the present book is a fitting requiem to a life of single-minded service to an ideal. Fawcett's great dread was that he should have to admit his vision to be a mirage, and the fact that he was spared this must have comforted his family, who were also involved, willingly and lovingly, in his sacrifice.

Radicalism for Socialists

PURSUIT OF PROGRESS.
By Roy Jenkins.
Heinemann. 186 pages. 10s. 6d.

MR JENKINS will irritate all closed minds, whether Socialist or anti-Socialist. He discusses the achievement and prospect of the Labour party with the intimate sympathy of the son of a Welsh miners' MP. But that does not make him any less outstanding among the intellectuals of the postwar generation who stand nearer the right wing than the left wing of the Labour party; Mr Jenkins can look at politics with a detachment rare among members of parliament on either side.

The first part of his book is a critical analysis of the conflicting attitudes that have governed Labour's views on foreign policy. It shows bluntly what is involved—and what is at stake—in a resolution of the conflicts. It is here, probably, that members of his own party have most to gain from Mr Jenkins's cool appraisal. Others will pass more quickly over what is, in effect, a plea to Socialists to support a national foreign policy with understanding, and not merely from loyalty to their leaders. By contrast, the rest of the book is concerned to make clear the distinctiveness of Socialism, even of a right-wing variety, in domestic politics. The idea that Labour could ever embrace an essentially conservative policy of consolidation could only have arisen, as it did in 1949, in a Government at the end of its tether. Mr Jenkins does not put the point quite in that way, but he recognises clearly that the necessary periods of consolidation are the periods when the country wants and will generally get a Conservative Government. Labour should remain true to itself as the leftward of the two major parties. It is because he makes this point so clearly that Mr Jenkins can dismiss, more effectively than most of his party's leaders, the error of the left-wing faction. That error is to stick to the attitudes appropriate not to a major party but to a movement of protest; it is to be true not to the principles of Socialism but to the mood of men remote from power and responsibility.

On this basis, Mr Jenkins sets out the heads of the Labour programme that will be "radical in the context of the moment." Some of the points were made last year in his contribution to "New Fabian Essays," but they gain by restatement. Above all, Mr Jenkins's logic leads him to assert with unusual clarity that a right-wing Labour view is still a Socialist view. The postwar discussion of nationalisation has been confused by an inclination to rest the case for nationalising particular industries on arguments internal to those industries—the need for better labour relations in coal, or for larger units in electricity. Mr Jenkins does not quite say that a case for extending nationalisation cannot be made out at this level, but he in effect admits that it is indecisive. It is subsidiary to the general case for a doctrinal Socialism. The pace of turning industries over to public ownership should be decided

> in relation to the need for a smaller private sector in order to keep in step with the move towards greater equality of property, to make possible a greater equality of incomes at sources, to reduce nepotism, and to ensure that management, over a wide field, does its best to associate workpeople with its functions.

This insistence on a pure doctrine of Socialism is still a moderate's case: Mr Jenkins wants a mixed economy mixed in different proportions from the present, but he does not try to say whether the smaller private sector should eventually be 30 per cent or 70 per cent of the economy; nor does he discuss directly the pace at which its compression should be carried on. Although the argument is doctrinal, its practical impact is therefore subject to almost unlimited variation. These uncertainties apart, the argument is powerful but is also exposed to two major criticisms. First, the defence of the economic record of Labour Government is weak, while the general argument pays surprisingly scant attention to the needs of economic expansion and flexibility. For example, the dependence of material progress on private risk-taking and initiative is recognised; but Mr Jenkins does not even consider whether these permitted activities will flourish if the reward for the expanding business is, at some arbitrary point, either to be taken into public ownership or to have shareholdings converted into fixed-interest stock and government directors brought into the company.

The second major weakness of Mr Jenkins's argument is political. While he is liberal in his championship of consumers' choice and of small-scale organisation in the public sector of industry, he ignores the implications, for personal freedom and democratic organisation, of extended state ownership and control. It is all very well to avoid creating new industrial giants by putting outside directors on the boards of existing companies, but if this really involves "public" control the new directors have to be appointed by someone and have to be given instructions on the public interest. The shadow of a centralised, managerial authoritarianism therefore lurks round the corner with this as much as with any other policy. But if Mr Jenkins admitted this danger the whole political framework of his argument would become questionable. Is it certain that, with extending public ownership, the right-wing party will remain one of consolidation rather than reaction, able to alternate with the left-wing party because each time it accepts most of the preceding stage on the road to Socialism? Is it certain, on the other side, that the trade union leaders will remain associated with even a right-wing Socialism that is as clearly doctrinal as Mr Jenkins makes it? His book is an important contribution to contemporary political thinking; that it raises far more questions than it answers is merely symptomatic of contemporary thinking.

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JONATHAN CAPE

Shakespeare in His Setting

SHAKESPEARE. HIS WORLD & HIS WORK.
By M. M. Reese.
Arnold. 589 pages. 36s.

THE one-man band has vanished from our streets, but there are still a few hardy souls prepared to command to the utterance of harmony the whole complex orchestra of modern Shakespearian research and criticism. In this ambition Mr Reese notably succeeds. Persuaded that here is a subject vast indeed but of which a synoptic view can still be taken, he has produced, at a high level of scholarly competence, a survey and discussion of Shakespeare's entire career and achievement viewed in its historical setting. Merely popular expositions apart, there has for too long been a pronounced gap between the "non-æsthetic" criticism typified by Sir Edmund Chambers's standard "Facts and Problems" and the rich but sometimes bewildering field of the newer interpretative studies. For the general reader with a serious interest in Shakespeare the present book should be a bridge as invaluable as it is shapely and boldly engineered.

Mr Reese is at his best where the gifts and training of the historian are most relevant. A major biographical perplexity, which recent investigation has revealed, concerns the change that appears to have taken place in the fortunes of John Shakespeare during his son's boyhood. The facts are explicable (at least for the greater part) in terms of recusancy. But was John Shakespeare a Protestant recusant or a Catholic? Mr Reese discusses this strange problem admirably; but yet more notable is his perception of that in the dramatist's attitude to religious and other dogmatisms which may be attributed to the spectacle of his father's conduct—on whatever side engaged.

When he approaches more specifically literary influences Mr Reese is at times discernibly on less congenial ground. Writing of Machiavelli, he supposes that "Shakespeare perhaps found him tiresomely doctrinaire." Shakespeare is unlikely to have tried to read *Il Principe*. And is it even quite accurate to say that Machiavelli's "writings permeated Elizabethan thought and had an almost intoxicating effect on Marlowe"? Marlowe indeed may have been acquainted with certain works of Raleigh's in which there is considerable covert conveyance from the Florentine; but in general his notion of Machiavelli's doctrines—and this holds of his contemporaries at large—was in part at least a perverted one, gained only through Gentillet's *Discours sur les moyens de bien gouverner. . . . Contre N. Machiavel.*

In point of detail, however, a survey of the present scope is bound to be challengeable here and there. Viewed as a whole, Mr Reese's achievement is remarkable. Works like his are commonly so written and constructed as to be more frequently consulted than read. But anybody who enjoys reading through Shakespeare is likely to enjoy reading through this book too.

Manner and Man

CARLYLE, AN ANTHOLOGY.
By G. M. Trevelyan.
Longmans. 183 pages. 16s.

IN this century so many political theories have ended in ruin and hopes proved unfounded, so many revolutions ended in second-rate Cæsars, that most of our historians are masters of prudence and detail rather than of prophecy. No longer for us the glittering pages of Macaulay under full sail or the fire-ships of Carlyle which obscure by an excess of light. For it is Carlyle's manner, its volcanic tone, its Pelions of adjectives on Ossas of epithets, that will first strike the reader as he turns to Dr Trevelyan's anthology. Wherever one dips in this book—into Carlyle's immortal full-length portrait of Coleridge, with his "eager musical energy," or into the grim comments on Peterloo selected from the often forgotten "Reminiscences"—one needs to readjust the ear. But it is far more than a question of style; the whole outlook on history and politics has changed since Carlyle. For the many who have been scared off him because of modern embarrassment about grandiloquence and rapture, Dr Trevelyan's book will open a new world

Trying to make an anthology of Carlyle's writings (a standard edition of which runs to some thirty-six volumes) is like trying to give a picture of a stream by scooping water from its ever-changing course. Anthologies are obviously a highly individual matter, and one might cavil at Dr Trevelyan's predilection for "Sartor Resartus" or regret his failure to include anything from such fascinating minor works as Carlyle on Schiller. Taken as a whole, however, he has done admirably, bringing into relief both the variety of Carlyle's work and the underlying unity—the strong deep chord of commitment to certain ideals of social justice and welfare.

"The French Revolution" towers above the rest of Carlyle, and this anthology includes the famous chapters on September, 1792. It must have been hard to leave out the account of Varennes, or the later pages on Danton. But even the relatively brief extracts which Dr Trevelyan has included suffice to show that Carlyle was not only a magnificent architect of image and sound, but also the first historian to grasp fully the nature of the revolt of the masses. Carlyle asks whether a people in the wind of revolution, and to whom the millennium is a street away, can think of obstacles and setbacks as anything save the work of traitors, spies and enemy agents. There are pages in "The French Revolution" which might be written today. The same sense of present relevance comes with a reading of Carlyle's angry reflections on Chartism and the Poor Law of 1834; in the easy labelling of Carlyle as a "hero-worshipper" of a faintly Prussian tinge, one forgets how much he knew about hunger. On every score, both literary and historical, Dr Trevelyan's anthology should put many readers in his debt.

Newspaper Colossus

THE LIFE AND GOOD TIMES OF WILLIAM RANDOLPH HEARST.
By John Tebbel.
Gollancz. 386 pages. 16s.

THE publisher for whom the phrase "yellow journalism" was coined makes lively copy, as Mr Orson Welles, the creator of Citizen Kane, discovered long ago. There is so much of it that Mr Tebbel has not been altogether successful in sorting out all the different strands: the newspaper colossus, the frustrated politician, the art collector, the benefactor of Miss Marion Davies, and the empire builder in property and films. Hearst is usually held responsible for all the worst excesses of the American popular press and for the debauchery of taste. Mr Tebbel, in all fairness, is compelled to point out that Hearst did not originate sensationalism; he learned it at Joseph Pulitzer's knee and then taught his grandmother a trick or two. Circulation, however, was Hearst's god, and in "sin, crime, and corruption" he had the formula to secure it. He also had the inherited wealth to buy the men who would present the mixture most enticingly.

To this, however, was added a passion for newspaper crusades, and Mr Tebbel does not agree that these were all cynically undertaken with an eye to sales—though they did the circulation no harm. The trusts, the Southern Pacific Railroad which had a stranglehold on California, machine rule in the cities, Wall Street, all felt Hearst's blows, and they were personal ones. Throughout his life he wrote many of his papers' leaders himself; he was no absentee proprietor. He was a strange capitalist, who only made peace with his own kind when he was growing old. In his early, almost uniformly unsuccessful attempts to enter politics and open a way to the White House, he cast himself as the tribune of the people, fighting for the eight-hour day, direct election of senators and a host of other popular reforms. But his political sense was only proved right once—when he assured the Democratic nomination to Franklin Roosevelt in 1932—and a few months later he was in the vanguard of the Roosevelt-haters. He did not even learn from the fury caused by his pro-German stand in 1916 and 1917; coming from California, he was convinced that the Japanese and Russians were the real threat to American interests, and he was obstinately pro-Hitler and pro-Mussolini. He was a born MacArthurite.

Politics, foreign affairs and even his newspapers themselves had to take second place, however, to collecting, Hearst's absorbing lifetime passion. He believed that money was there to be spent, and he spent it. Perhaps the most astonishing statement in Mr Tebbel's book is that for fifty years Hearst spent a million dollars or more a year on art. It was "artistic nymphomania," but not so undiscriminating or so scatter-brained as his detractors suggest; in some fields the Hearst collections were unexcelled.

Hearst's influence on journalism was no doubt bad, but the tendency now is to write down that influence. Historians today have even robbed him of the doubtful distinction of having started the Spanish-American war. As Mr Tebbel says in his somewhat confusing, but always fascinating and perspective, pages, Hearst was more successful as a paper salesman than as a salesman of ideas. But if his place in history is a small one, it was well worth exploring.

Undersea Pioneer

THE SILENT WORLD.
By J. Y. Cousteau, with Frédéric Dumas.
Hamish Hamilton. 148 pages. 18s.

THE frontispiece of Captain Cousteau's remarkable book shows the author, his wife and their two young sons going down for "their usual Sunday afternoon under-water excursion" on the bed of the Mediterranean. No picture could illustrate more vividly the swift transformation of diving methods that has taken place since the day in June, 1943, when Captain Cousteau cautiously swam down to a depth of sixty feet to test the first "aqualung"—the automatic compressed-air device he developed, which enables a man to swim freely under water for two hours at depths of as much as 200 feet. Today, as he records with gentle ruefulness, holidaymakers on the Riviera hire aqualungs as if they were waterwings, and women and elderly men reach 130 feet on their third or fourth dive.

Thanks to the courage and perseverance of the pioneers, the Riviera excursionist has been made free of a world of strange sights and fantastic colours—free to float and linger where the unaided diver must hasten back to the air, and the helmeted diver can only clump slowly along at the end of his cumbrous cables. But only a few of the hundreds of people who have used the aqualung have used it to such purpose as Captain Cousteau and his undersea research group, formed as a unit of the French navy in 1945. They have charted wrecks and detected minefields; they have filmed a submarine firing torpedoes fifty feet down; they have gone 400 feet into the famous fountain of Vaucluse, near Avignon; and they have explored sunken Greek and Roman argosies at the bottom of Mediterranean bays, and brought up vases, marbles and complete Ionic columns of pre-Christian date. They have learnt to live amicably with sharks and octopuses, but to beware of sea-urchins, jellyfish and fire coral. And they have brought up from the depths some of the most astonishing photographs ever taken, 85 of which, in colour and black and white, provide superb decoration for a crisp, humorous and absorbing narrative.

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BOOKS

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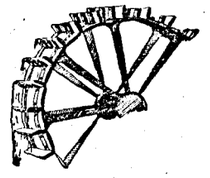
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Napoleon's Last Days

NAPOLEON AT ST. HELENA. *Memoirs of General Bertrand, Grand Marshal of the Palace, January to May, 1821.*
Deciphered and annotated by Paul Fleuriot de Langle, Secretary-General of the Napoleon Institute, Paris. Translated by Frances Hume.
Cassell. 292 pages. **21s.**

THE story of the discovery and decipherment of Bertrand's St. Helena Journal loses nothing in the telling of it by M. Fleuriot de Langle in the introduction to his *Cahiers de Sainte-Hélène;* most of this is included in the English translation (though the equally exciting preface by his friend Marcel Dunan is not). The manuscript had remained locked up, like so many French family records, as though it were a Vatican archive; and such distinguished historians as Masson and Aubry had ventured to say that it was of no value—M. de Langle's account of all this is more entertaining to historians than to the general reader. At last the box was opened and found to contain more than anyone had hoped—a day-by-day account of life at Longwood from the time Las Cases, the author of the famous *Mémorial,* was sent home in April, 1816, to the death of Napoleon in May, 1821.

Since the only other continuous diary, that of General Gourgaud, ends on March 14, 1818, the importance of this new source for the history of Napoleon's last days was at once obvious, especially for the fresh evidence it might throw on the disputed questions about his illness and death. But, to the astonishment of M. de Langle, the manuscript was found to have been written in a series of abbreviations more difficult to read than a cipher, because they follow no system and each initial letter or syllable has to be interpreted by the light of nature and the help of its context. (Facsimiles of the script are given in this book.) M. de Langle has undertaken this difficult and tedious task, and he is still at work upon it. The volume now translated, covering the last five months of Napoleon's life, appeared in 1949; a second, covering the first period, 1816-17, followed in 1951. It is to be hoped that the work will be completed in French and in English, for it is of the greatest value and interest.

Bertrand's manner is as dry and detailed as can be—only once or twice do his emotions break through; and the reader cannot doubt (as he constantly does with Las Cases) that these are the words and manner of the real Napoleon. Gourgaud is justified, time after time: the same topics, the same turns of speech, the same egotism, the same kindliness reappear. But there is much that is new, especially in the medical details of Napoleon's illness (enough material to start all the doctors' controversies over again), and in the painful and pathetic account of his last hours. New light, too, is thrown upon the making of his will and its many codicils. It is not too much to say that, when all Bertrand's Journal is available, as well as the almost equally important *Mémoires* of Marchand—the first instalment of which was published last year—the whole history of Napoleon's exile will have to be rewritten.

M. de Langle admits in the *avant-propos* to his second volume that he has taken certain liberties with Bertrand's crabbed style, and his translator speaks of sometimes "amplifying a reference for the benefit of the English reader." But, such trifles apart, she seems to have followed the text faithfully and fully. The Notes, which are detailed and valuable, have been rearranged at the end of each month of the Journal, with only a few omissions and additions. The index (absent, as usual, in the French) will be found a great help.

Their Master's Voice

HITLER'S TABLE TALK.
Introduced by H. R. Trevor-Roper.
Translated by Norman Cameron and R. H. Stevens.
Weidenfeld and Nicolson. 782 pages. 30s.

THE English version of *Hitler's Tischgespraeche* has two advantages over the German edition reviewed in these columns on September 1, 1951. The translation has been made from a fuller and more reliable text than that published in Germany in 1951, and the records have not been rearranged according to subjects but have been left in their original chronological sequence. This is much more satisfactory: these conversation pieces in Hitler's wartime headquarters are brought vividly to life, and the Fuehrer's opinions clearly related to the passage of events.

The impression left by this fascinating collection does not substantially alter the self-portrait already drawn in Hitler's speeches (especially those before he came to power), in *Mein Kampf* and in Rauschning's "Hitler Speaks." Its value is to be found in the depth and colour added to the picture and in the wealth of confirmatory detail. Every page bears the authentic imprint of Hitler's harsh, narrow and brutal mind and illustrates the terrible consistency of his opinions from the earliest speeches in Munich after the First World War to the political testaments he dictated on the last night of his life. The value of such a document to the historian is obvious; it is of scarcely less importance to anyone who is interested in political psychology. For once, the publishers' use of the word "unique" is fully justified.

Mr Trevor-Roper's introductory essay on the mind of Adolph Hitler begins in brilliant fashion but fails to live up to its opening promise. Mr Trevor-Roper is better at asking than at answering questions. His analysis of Hitler's mind adds little to what has already been said and makes surprisingly little use either of the rich material contained in the "Table Talk" or Hitler's speeches. The author of "The Last Days of Hitler," however, is incapable of being dull, and his cogent statement of the problems raised by Hitler's career should be read by any who are inclined to dismiss that extraordinary phenomenon with indignant contempt.

The Great Lord Salisbury

SALISBURY 1830-1903: *Portrait of a Statesman.*
By A. L. Kennedy.
Murray. 423 pages. 25s.

THE opening of the Foreign Office archives up to the date of his retirement in 1902 might have made possible a detailed study of the great Lord Salisbury's foreign policies, had not the sources for such a study been so elusive. For most of his thirteen years as foreign secretary "our official records," as Eyre Crowe noted in his famous memorandum, "are sadly incomplete, all the most important business having been transacted under the cover of 'private' correspondence. It is not known even to what extent that correspondence may have been integrally preserved." What Salisbury's private papers may have to reveal is left unclear by the book under review, for its author does not seem to have made use of them—though he has talked to many people who knew the statesman well, and has made use of scores of telling anecdotes.

Instead of confining himself to foreign affairs, Mr Kennedy has essayed an appreciation of Salisbury's life as a whole. He has not been able to make up his mind whether the Conservative leader's views—or lack of views—on the injustices of the Victorian social system really were what he once calls them: "the abiding blemish in Lord Salisbury's record." His handling of the Irish difficulty shows that he shares Salisbury's entire lack of sympathy with Irish nationalism, and is consequently lopsided. He applauds the prescription of 1885—good government applied "honestly, consistently and resolutely for twenty years"—and omits the event that befell when the prescription ran out in 1905: the foundation of Sinn Fein. For this omission he could shelter behind one of Lord Salisbury's most revealing remarks: "With the result I have nothing to do."

Mr Kennedy deals with diplomacy more skilfully and with greater understanding (in spite of an unfortunate misdating of Turkey's cession of Thessaly to Greece). His passages of diplomatic narrative are well contrived and more smoothly written than much of the rest of the book, which has evidently suffered from cutting. He prints a little new material of interest to experts on the events of 1878 and 1897, and this striking, half-humorous remark which Salisbury made to his daughter in March, 1898:

> Of course the Russians have behaved abominably and if it would be any satisfaction to my colleagues I should have no objection to fighting them. But I don't think we carry guns enough to fight them and the French together. . . . In six months' time we shall be on the verge of war with France; I can't afford to quarrel with Russia now.

Salisbury was a formidably clever man, and to his few intimates a most charming one. This sketch of him will serve a good purpose if it turns its readers back to his own caustic political articles in the *Quarterly Review,* and to Lady Gwendolen Cecil's delightful, unfinished *Life* of her father.

Humane Letters

MEMORIES.
By Desmond MacCarthy.
MacGibbon & Kee. 223 pages. 16s.

THE perfect critic, it has been said, has this much in common with God: that he is easy to please and impossible to satisfy. Desmond MacCarthy must surely, in this respect, be judged the most Godlike of critics. It is hard, certainly, to think of anyone else who could have written with such evident sincerity of appreciation, such luminous understanding, about James Joyce *and* Rudyard Kipling, W. H. Davies *and* Maupassant, Lytton Strachey *and* Walt Whitman. "He was adored," says Mr Raymond Mortimer in his Foreword, "by persons who detested one another"—and this, it is explained, without any protean propensity to be all things to all men. In these essays there shines the converse of this amiable characteristic; a capacity to relish, with delicate discrimination and large enjoyment, the work of the most mutually antipathetic writers. (That this trait is not a merely negative thing, an incapacity for dislike, is demonstrated by one essay, a perfect exception to the rule; reviewing Mr Auden's selection from the poems of Tennyson, he is very unkind indeed to Mr Auden.)

"Memories" is not solely concerned with literature; it is also, almost indeed primarily, a series of character studies. Nothing could be more remote from that "scientific criticism" which lays out its subject, dead, dissected, and neatly stained with selective dyes, in convenient segments under the microscope. The most wholly delectable essay in the book is that on Roger Fry, which records the organising of the Post-Impressionist Exhibition of 1910; unless perhaps one were to prefer the ripely delicate appreciation of Sir Max Beerbohm. There is a vignette of Bloomsbury, dispelling some popular misconceptions. There is an unforgettable account of Henry James, surrounded, at Keynes's rooms in King's, by "a respectful circle of silent, smoking, observant undergraduates." There is a classical portrait of Wilfred Blunt. From the *Memoir of Youth,* which describes MacCarthy's school days at Eton (and a sequel among the bright lights of London), to the account of Sir Max Beerbohm's seventieth birthday, these essays indeed compose a picture of a period, a significant continuity. It is a period to be recognised, perhaps, by readers of a later generation as enviably different from their own; different as that Sunday breakfast at King's differs from the scurry of conscientious brown-baggers in the tiled and disinfectant-smelling entrance hall of an Evening Institute. Perhaps it is quite unnecessary, in order that literature may flourish, that there should be a certain humane *douceur de vivre* among at least some literary men. Perhaps a brown bag is all that is necessary. But one would feel happier about civilisation (as distinct from productivity-statistics) if the world conjured up by these essays seemed less irrevocably vanished.

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Swedish Imperialist

GUSTAVUS ADOLPHUS: A HISTORY OF SWEDEN, 1611-1632. VOLUME I, 1611-1626.
By Michael Roberts.
Longmans. 585 pages. 63s.

SWEDEN emerged as a first-class military power with meteoric brilliance in the early seventeenth century. Till then poor and backward, a land of nobles and peasants, Sweden had maintained with difficulty its independence against Denmark, dowered with the lucrative Sound dues. Restless energy and soaring ambition characterised the impoverished Vasas, who envisaged not only control of the Baltic, but dominion over the Arctic and the Tsardom of Russia. But since Swedish resources bore no relation to these dreams, Gustavus Adolphus was faced at his accession by an exhausted country, a disputed title and a factious nobility. Yet he extinguished the Danish threat, excluded Russia from the Baltic, stripped Poland of its maritime provinces and secured a glittering constellation of ports stretching from Riga to Stralsund. The dynastic conflict with the Catholic Vasas in Poland gave Swedish expansion the character of a Protestant crusade and ultimately led to Gustavus's dramatic intervention in Germany.

This aspect of Gustavus's career has been the only one to attract the attention of English historians. The present book is therefore particularly welcome since it is the first thorough and scholarly history of Sweden in its great age of expansion to appear in English. Professor Roberts will earn the gratitude of English readers for this comprehensive account of Swedish society and institutions in this formative period. "In the long run," as he puts it, "the foundation of the *gymnasia* and the endowment of Uppsala University have probably meant more to Sweden than all the captured standards of Tilly and Wallenstein." Mr Roberts ends the present volume in 1626, reserving for his second volume an account of Gustavus's campaigns in Germany and of the economic and military developments which made those campaigns possible.

The policy and personality of Gustavus can be variously interpreted. Mr Roberts sees in him a salutary touch of Christian humility, but there is little of this in Gustavus's own contemptuous reference to the Swedish clergy as the "tribunes of the people" or in his belief that the victory at Wallhof was a divine judgment on the Poles. One of the merits of this book is that it allows the reader to see how divided Swedish historians are in their interpretation of the constitutional tensions of this period. It may seem that the enduring aspirations of the Swedish nobility were temporarily sublimated in the aggressive foreign policy of Gustavus. But Mr Roberts prefers to explain Swedish expansion in terms of the quest for security, that dangerously elastic concept. Moreover, he relegates to his concluding chapter on literature his fascinating account of the astonishing racial theories of Gothic superiority in which the Swedish professors were encouraged to indulge and which proved so attractive to the Vasas. Gustavus himself took a lively interest in the symbolism of the Runes and, when he invaded Finland, took with him tapestries displaying the victories of the ancient Goths. But if Mr Roberts is cautious and even charitable in his interpretations, he is scrupulously fair and thorough. The mastery of detail, clarity of arrangement and sustained lightness of touch shown in this volume promise to make the completed work an authoritative and enlightening study of a major chapter in European history.

Pious Mary

MARY II: QUEEN OF ENGLAND.
By Hester W. Chapman.
Jonathan Cape. 279 pages. 25s.

MARY II has attracted little attention from historians since she played so passive a part upon the political stage. But Miss Chapman shows that although Mary was uninterested in politics and power, she played her part as queen with dignity and charm. Her courtesy and tact offset the chilly reserve which made William III so depressing a hero for the victorious Whigs. Mary's success is the more creditable in view of her upbringing. Unlike Elizabeth I, who enjoyed the benefits of a Renaissance education, Mary was taught only pretty accomplishments. She painted and embroidered, knotted fringes and played cards, gardened and collected china.

Mary always preferred the role of a wife to that of a queen. Her almost oriental view of a wife's subordinate position fortunately matched William's masterful temperament. Her constitutional naïvety is astonishing. Only a year before the Revolution did she realise that William would not automatically become king on her own accession. When this point was explained to her by Bishop Burnet she immediately protested to William, who had been sulking on this account for nine years, how shocked she was to discover that the laws of England were contrary to the laws of God. She never wavered in her devotion and obedience to William, who seems to have found her clinging ways and easy tears irritating, and who early in his married life acquired an ugly but intelligent mistress. On one occasion Mary only learnt of her husband's projected movements from a continental newspaper. Her conscience was deeply troubled by what she described as "the irregularity by us committed upon the revolution"; and this, combined with the difficulties and disappointments of her private life, early led her into exaggerated religiosity and morbid introspection.

Miss Chapman has written a swiftly moving and sympathetic biography in rich, brocaded prose. The politics of the period are only lightly sketched in, but the domestic life at court is vividly portrayed. And from the uninhibited diaries of the period she has been able to draw some very entertaining stories.

Heads of Governments

BRITISH PRIME MINISTERS.
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Wingate. 177 pages. 15s.

THESE essays by diverse hands cover in their entirety the two hundred years during which the office of prime minister was modified from a post conferred by the king on a chosen servant to an office which falls to the acknowledged leader of the House of Commons on the routine recommendation of the outgoing minister. This evolution started when Walpole's ministry continued after the death of George I, who approved of him, into the reign of George II, who did not. The preferred candidate was incompetent, and thereafter it was accepted that the necessary qualification was not the favour of a monarch but the ability to dominate the House. It was, however, still necessary to obtain the agreement of the sovereign to any proposed measure, and for the next hundred years the most adroit and successful ministers were those who were able to persuade the king that they were carrying out the policy he himself had laid down.

The period saw the rise of the struggle between property and population and its gradual resolution by social legislation. This was inaugurated by Conservatives, without illusion and with cynical disdain for radical enthusiasm. Disraeli defined the fruits of democracy as extravagant expenditure, discontent in meeting it, and insecurity of property and liberty. Salisbury declared that universal suffrage would mean that the rich paid all the taxes and the poor made all the laws. The period also covered the settlement of the major issues of Electoral Reform, Catholic Emancipation and Home Rule; the rise and metamorphosis of the Empire; and the crucial change from waging war for aggrandisement which increased British trade, and for which the enemy paid, to fighting for survival in spite of the inevitable impoverishment and disruption of victory.

These character sketches of leaders of the government against the background of their times are written from varying viewpoints, so that the protagonists appear stereoscopically in relation to each other and to different sets of circumstances. The result, sometimes confusing, but always stimulating, provides a handy summary of indispensable facts as a basis for further inquiry. From these facts certain generalities emerge: that a time of national danger produces an inspired and trusted leader, who is rejected as soon as the crisis is past; that the general tempo of British constitutionalism has been maintained by benevolent mediocrities, galvanised at intervals by the eruption of genius; and that the indispensable qualification for success in high office is an iron constitution, an infinite capacity for work, expert knowledge over a wide field and a sure sense of what will and will not work. Readers of *History Today* will be glad to have these essays collected in one volume, with an able introduction by Lord Norwich.

A Great Captain?

HAIG: MASTER OF THE FIELD.
By Major General Sir John Davidson.
Peter Nevill. 158 pages. 21s.

THE military reputation of Field-Marshal Earl Haig is higher among the skilful enemy whom he outgeneralled, out-fought and defeated than it is with his own countrymen. Critics make two charges against him: first, that he never exploited the potentialities of the tank and, secondly, that he threw away lives in the heavy attacks in the autumn of 1917. General Davidson, his Director of Military Operations from 1916 to 1918, deals with the second of these charges.

Haig was the victim of the time and the circumstances of the military period in which he commanded. From the first he, a cavalry soldier lacking an effective arm of manœuvre, was pinned down to a siege war of redoubt, trench, sap and sortie. To make matters worse, he had no alternative in 1917 but to attack his besiegers frontally, for at all costs he must draw Ludendorff's attention and the German reserves away from the French front. The French Army, after Verdun and Nivelle's costly failure, was, as its commanders freely urged upon Haig, good for nothing, not even for defence. The Russian Army had disintegrated and released thirty German divisions to reinforce the Western Front within a few months; the Admiralty was pressing Haig to neutralise Belgian and French ports to stem the savage losses of submarine attack.

Haig took upon himself the whole responsibility for dealing with this anxious situation. No one will deny that his early attacks in July and August, 1917, were unnecessarily costly, and the blame is his. Thereafter, learning his lesson, he dealt a series of steady, carefully staged and successful jabs which by that winter, as Ludendorff acknowledges, wrecked the German Army as an effective fighting force. Ludendorff thereupon packed every man and gun into an overwhelmingly strong punch against the British Army in the spring of 1918. Haig and his men took the whole weight, held it, decisively defeated it and saved the French Army and the Western Front.

Despite its heavy losses and severe trials the British Army, again almost unaided, under its trusted leader returned to the offensive with heightened morale to break the Hindenburg Line and the German Army. The strategic plan was Haig's.

General Davidson's authoritative book makes it clear that it was the British Commander-in-Chief who dominated the Western Front in 1917-18 over Foch, Hindenburg and Ludendorff. Those who have criticised Haig's leadership should read this book and recast their opinions. History may yet rank Haig among the great captains.

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Two Prosperous Valleys

THE POWER AND THE VALLEY.
By Henry Billings.
Hart-Davis. 208 pages. 12s. 6d.

UNCLE SAM IN THE PACIFIC NORTHWEST.
By Charles McKinley.
University of California Press (Cambridge University Press). 673 pages. 56s. 6d.

IT is almost twenty years since the United States Congress passed the Act providing for the Tennessee Valley Authority, one of the first and one of the most successful experiments of the New Deal. It was a project under government auspices for the reclamation and development of all the resources, in people and in land, of a huge rural slum, a river valley covering 40,000 square miles and parts of seven southern states. Today the series of dams, for controlling floods and generating electricity, which were the basis of the scheme, are finished and the growing prosperity of the valley has almost stifled political and economic opposition. Until fairly recently this was a constant threat to an undertaking to which the damning term "socialistic" could be applied with more justification than it could to some of Franklin Roosevelt's other, less fortunate, experiments.

Mr Billings's book is a simple and readable, if somewhat idealised, history of why the TVA was necessary, of its growth as an engineering and educational project and of its effect on the lives of the people in the valley. From this success story it is obvious why to many people the TVA seems to have set a pattern for the development of river basins all over the world, from the Euphrates to the Columbia in the northwest corner of the United States. Why it is not a practicable pattern, for the latter at least, is made clear by Mr McKinley's detailed study—far too detailed for the general reader—of all the activities of the federal government in Washington, Oregon and neighbouring states.

These activities are almost entirely connected with the problems that concern the TVA—generation of electricity; control of floods; conservation of land, forests and wild life; mineral exploitation and so on. The number of government agencies and private interests involved, the overlapping and competition between them, the pressures they exercise on Congress and on the executive, explain why a Columbia Valley Authority seems so desirable. They also explain why such an authority is most unlikely to be set up, especially under an Administration as amenable to outside influences as the present one seems to be.

Such rivalries were largely non-existent when the TVA was established, before the great extension of government activity under the New Deal, and in any case the Tennessee Valley was not an attractive enough proposition to inspire much rivalry. The valley of the Columbia River and its tributaries is very different, a prosperous area full of enterprising, educated people who do not feel the need of government aid—at present. Perhaps more important, the Columbia Valley is much larger, has far greater potentialities than that of the Tennessee and is much less homogeneous. To Mr McKinley the best prospect of securing its orderly and full development seems to lie in better co-ordination of existing government agencies rather than in the establishment of a new one.

Turret and Spire

ENGLISH ARCHITECTURE SINCE THE REGENCY.
By H. S. Goodhart-Rendel.
Constable. 296 pages. 25s.

THIS book, which consists of lectures delivered at Oxford in 1934, deals with the dark ages of architecture. Mr Goodhart-Rendel is largely concerned with the Victorians; and very tolerant of them he is.

The nineteenth century was in one sense the golden age of English architecture. The sight of its buildings may give posterity pain, but at least it was a good time for architects. There was profusion of building and profusion of styles. There were stately houses to build for newly rich merchants—turreted castles (all mod. con.), and neo-Elizabethan manor houses; for the less well-to-do there were *cottages ornés*, italianate villas and Gothic parsonages; and there were town houses to be built by the thousand. But urban styles were more limited; the Gothic revival there played a minor role. Rooted though it was in patriotism, as well as in religious revival, neo-Gothic design was not normally considered suitable for public buildings other than churches. When Gilbert Scott designed a Gothic Foreign Office it was too much even for that age, and it was soon clear that he must either resign or redesign. His prudent if inglorious choice gave us an italianate Foreign Office which, as Mr Goodhart-Rendel says, is regarded by many people as the least unpleasing of his works.

The Gothic revival, the author implies, was all very well in its place, and its place was ecclesiastic and scholastic. As churches and colleges have not changed their function since the middle ages the mediæval style can still be appropriate. Its cult was carried to absurd lengths; yet the results could sometimes produce a pleasing harmony with tradition and environment. For churches, too, there was a grain of sense in Pugin's passionate conviction that a mediæval setting would help to evoke a mediæval devoutness. Mr Goodhart-Rendel calls attention to churches of real merit that are too readily dismissed as worthless imitations.

Perhaps the greatest achievement of the Gothic revival, however, was the Houses of Parliament, where, as the author points out, the Gothic embellishments of Pugin were not allowed to destroy the underlying order and unity of Sir Charles Barry's design. Readers may feel less well-disposed towards post-Regency architecture than Mr Goodhart-Rendel appears to be. Yet his book is an interesting and entertaining guide to more discriminating judgments.

Imperialist Wizard

CECIL RHODES.
By André Maurois.
Collins. 142 pages. 7s. 6d.

THE present political struggle between Afrikaners and Englishmen in South Africa, and the celebrations which are to mark the centenary of the birth of Cecil Rhodes, bear witness to his heritage. It may have been this centenary which suggested this book as part of Collins's remarkable series of "Brief Lives"; nor could there have been a more natural choice of biographer than that of M. Maurois. He has always been interested by men who combine something of the artist with the politician, and if ever there was a dreamer with a formidable sense of the empiric—or a poet of finance (as Balzac would have called him)—it was Rhodes.

Unfortunately, this brief life of him is disappointing, even within its own intended limitations, and shows every sign of having been composed too hastily. It is based largely on standard authorities such as Basil Williams and Sir Lewis Michell, and there are numerous imprecisions in M. Maurois's treatment of fact. To speak of the award of "some scholarships" to Germany as a direct result of the Kaiser's benevolence towards the Cape to Cairo telegraph line project is to overlook the entire conception of Rhodes's successive wills. And there is no evidence that, on the latter question, M. Maurois has made any use of the recent book by Dr Frank Aydelotte. The account of how the De Beers group gained control of the Kimberley shares and of the particular role played in the background by Lord Rothschild is somewhat inadequate. To dismiss the problem of how much Chamberlain knew about the Jameson Raid affair in a short paragraph, moreover, does not make one happy about M. Maurois's use of sources.

The most disappointing aspect of this book, however, is the author's failure to come to any firm grips with Rhodes's puzzling and tormented character or to make plain the quality of his genius. What was there in this moody, infinitely stubborn man, with his racial ideas and Ruskinian politics, which enabled him to beat all his rivals, such as Barney Barnato, and to leave the magnificent scholarly foundation that perpetuates his name? How much of a charlatan was Rhodes, with his Marcus Aurelius in the saddle-bag and his grandiose plans for his own burial in the Matapos hills? And what caused his bouts of depression and his utter inability to find an anchorage? Was it that he had all too rarely found anyone without his price or, to use his own expression, whom he "couldn't square"?

To these questions M. Maurois's small portrait gives few answers. This, however, may be merely the first of a number of books which will coincide with the Rhodes centenary celebrations both in Rhodesia and at Oxford, those two pillars of his monument.

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Impressionist Portrait

BIRTH OF A WORLD: BOLIVAR IN TERMS OF HIS PEOPLES.
By Waldo Frank.
Gollancz. 432 pages. 21s.

FEW books can have been published under a more misleading title than this biography of Simon Bolivar. There are already so many studies of the South American liberator that Mr Frank may be forgiven for seeking a novelty for his title page; but he has chosen unwisely. This is an intensely personal book, the work not of a historian but of a novelist with an undoubted insight into the individual mind. It sheds light on Bolivar himself and on several of his intimates and enemies, but little on the peoples they fought among; and where the narrative broadens out in places to consider the background to the struggle, it reveals that the liberation of the Hispanic republics was no birth of a new world, but the evolution of an old one.

Mr Frank has, indeed, attempted to discover the links between the tiny group of men who robbed Spain of the continent—that a tiny group of Spaniards had seized three centuries earlier—and the peoples of the continent itself. But the novelist in him has triumphed over the sociologist. Thus, the reader has no sooner opened the book than he is plunged into half a dozen pages of prose as luxuriant as its subject, which is the Amazonas jungle. This fierce, uncontrollable forest becomes the recurring symbol of the wild continent which Bolivar could free but could not organise. From an artistic point of view, this is wholly satisfying; but the prosaic tongue of history records that the jungle tribes had no part in the drama of American liberation, and that it was the *Andinos*—the men of the mountain valleys, whom Mr Frank dismisses in two sentences—that fought Bolivar's battles and threw up his lieutenants and successors.

Other things offend the historical sense: the author's strong antipathy to Santander; his scant treatment of Andres Bello; the omission of the interesting interview at Apsley House; the summary and uncritical account of the arrest of Miranda; the odd claim that the execution of Piar proved Bolivar's indifference to race; and the somewhat turgid mysticism of the concluding chapter. But once it is accepted that, despite the author's long and catholic researches, this is less an objective biography than a series of vivid impressionist portraits, it can be read with appreciation and enjoyment. It is a rambling, untidy, vigorous book, awkward in places and inspired in others—the mirror of the confused period with which it has to deal. Mr Frank succeeds in imparting the fascination which he himself finds in the contradictory, tragic character of Bolivar; and if he has not greatly increased the sum of our knowledge about that extraordinary man, he will at least excite his readers' interest in a personality and a chapter of history to which too little attention is given on this side of the Atlantic.

A Stimulating History

THE MAKING OF THE MIDDLE AGES.
By R. W. Southern.
Hutchinson's University Library. 280 pages. 25s.

MR SOUTHERN has for some time been known to specialists as the author of a number of stimulating monographs on English and European medieval history. With this, his first book, he steps at once into the front rank of historians. To write a satisfactory "introduction" for the general reader to a wide period of history is a difficult task; to accomplish this and at the same time to make a major contribution to the specialist study of the subject is a rare achievement.

Perhaps the most striking feature of the book is its unity of form. Ranging between the broad limits of 972 and 1204, it discusses in turn the relations of Latin Christendom to the outside world, the ordering of secular society, the ordering of the Christian life and of the intellectual world. Each section develops naturally from the last until in the final, majestic chapter all the previous themes are brought together and related to something wider: the spiritual growth during this period. Within each section the well-worn small change of textbooks on this period is never used; instead the discussion is developed by fresh and skilful use of a wide number of contemporary sources. This leads not only to a greater sense of reality but to greater succinctness. Take, for instance, the author's treatment of the cultural differences between north and south France in the eleventh century. The usual hackneyed examples—William of Aquitaine's travelling library, the *pays des sceaux*—are missing; in their place is a discussion of the little known mortuary roll of the Count of Cerdaña. At the end of two pages and after a minimum of generalisation the whole important problem has been brought home in concrete terms to the reader.

For this is the work of a man with a rare historical gift: the imagination to recreate the world of which he writes and the critical scholarship to make the exercise of imagination fruitful. The picture of Saint Odilo, abbot of great Cluny, drenched to the skin but producing a spontaneous adaptation of some lines from the Aeneid to cheer his bedraggled companions, is vividly drawn. But it is not introduced just as a picture; it makes, rather, an important point in a discussion of the relations of monasteries to the outside world.

Imagination and scholarship in themselves would be insufficient without two other qualities that Mr Southern possesses in abundance: a prose style which expresses precisely formulated thoughts with clarity, wit and often beauty; and a spiritual insight which enables him to portray with equal success and sympathy such disparate characters as St. Anselm and Fulk of Anjou, Agnes of Poitiers and St. Bernard. The combination of these qualities makes this one of the most exciting books on history to appear in recent years.

Strange Bookfellows

TWO STUDIES IN VIRTUE.
By Christopher Sykes.
Collins. 256 pages. 16s.

THERE is no obvious reason why Mr Sykes should have brought within one pair of covers these studies of Richard Sibthorp, a minor character in the Oxford Movement, and of the origins of the Balfour Declaration. Still, each of them contains much that is interesting in itself and will be new to many readers.

Sibthorp was a Fellow of Magdalen, born in 1792, who was unable to make up his mind whether he wished to belong to the Church of England or the Church of Rome. As an undergraduate in 1811 he had fled to the Roman Catholic Bishop Milner and was brought back to his studies with a chancery order. In 1841 the impulse returned again, and this time there was no one to say "Nay." But in 1843 he was back in the Church of England, very strongly anti-Roman. In 1865 the thought that the Church of England could not produce—or did not seek to produce—a Curé d'Ars led him back once more to the Roman communion. But barely was he in full communion with Rome again when papal infallibility was defined to torture his easily tortured soul. When he died in 1879, still nominally a Roman Catholic, the Book of Common Prayer fell from his hands and in accordance with his will the rites of the Church of England were used over his grave. Mr Sykes tells the story from the point of view of a Roman Catholic and not unfairly, though a few details need tidying up.

In the other study, the rise of Zionism, Mr Sykes's kinsman, Sir Mark Sykes, played no small part; with Mr Amery he was an Assistant Secretary to the War Cabinet, was taught the principles of Zionism by the Chief Rabbi, Dr Gaster, and made the agreement with France concerning the Sanjak of Jerusalem, generally known as the Sykes-Picot agreement.

Mr Sykes has had the advantage of using unpublished papers belonging to Sir Mark Sykes and Dr Gaster.

He shows how Zionism arose in the great Russian pogroms of the nineteenth century, and he examines the various proposals that were made by British statesmen for satisfying it—Cyprus and Uganda among them—before the policy of "a national home in Palestine" was finally settled. As his main narrative gives only the undertakings to Zionism, Mr Sykes wisely gives in appendices some of the pledges to the Arabs and leaves it to the reader to determine whether they can be reconciled with each other.

European Beauty Spots

NORMANDY AND BRITTANY.
By Ralph Dutton.
Batsford. 261 pages. 18s.

AUSTRIA.
By Monk Gibbon.
Batsford. 258 pages. 18s.

THE first of these two new Batsford books is a guide for those travellers to France who are half-way between a general feeling of being at home there and a real regional expertise. It is no good for the beginner, unless he is a landscape and culture snob who wants to follow in the footsteps of the master; and it must be said that Mr Dutton is a tasteful, experienced, inquisitive and clear-spoken guide. It will tempt the lover of the Breton coast to look more closely into the towns and churches, and it will tempt the person who seldom gets beyond Normandy to think of north-west France as an admirable touring ground whether by car or bus. The photographs are excellent and there are four pleasing reproductions from paintings by Christopher Wood.

Books like this, of course, usher one into beauty and interest; there is little risk of stumbling into discovery after having travelled with their help. Mr. Dutton is systematic and makes allowance for the special needs of the visitor from Britain. He starts in the Seine valley and swings through lower Normandy towards the Cotentin Peninsula. He then begins again moving from the Channel coast down to the valley of the Loire, an approach to that region which many tourists miss. Then he strikes westward back to Brittany and the great Atlantic promontory. If one is interested in seeing the Rouen that Flaubert knew, Mr Dutton has blazed the trail; if one is under the impression that operation Overlord devastated Bayeux Mr Dutton is there to remind one that it is quite unspoilt. He has a keen eye for domestic as well as religious architecture and describes local customs and legends without sentimentality. A most readable volume even if the currency allowance for the year is already spent.

Looking at Austria with the eyes of a lover, Mr Gibbon is eager to praise its virtues, reluctant to admit any faults. This book recalls the ghosts of the past, sees in the baroque architecture the enchantment of the age in which it was conceived. If sometimes the eulogies seem too pressing and the discords of history rise to interrupt the serenity of these pages, yet it would be ungrateful of the reader not to appreciate the enthusiasm that has gone into writing this book. For an enthusiast can be a delightful and informative travelling companion.

To many, perhaps to most, British holiday makers in Austria, it is first and foremost an alpine country. Mr Gibbon would not dispute this, but he is drawn less to the mountains than to the Viennese palaces, the monasteries of the Danube, the decorative buildings of Innsbruck, the fine paintings and carvings in many of the village churches and the life of the villagers themselves. Although he describes the wonders of Salzburg his praise here is somewhat stinted—in his eyes it has become too popular and has committed the unpardonable crime of overcharging for tea. But among the many fine photographs in this book, the few of Salzburg are particularly pleasing.

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ANDRE DEUTSCH

The Queen's Commons

ELIZABETH I AND HER PARLIAMENTS, 1559-1581.
By J. E. Neale.
Jonathan Cape. 434 pages. 25s.

IN his earlier book, "The Elizabethan House of Commons," Professor Neale gave a brilliant analysis of the political structure and procedure of the Commons, cast largely in terms of clientage, the grouping of the gentry round the great men in a society both highly aristocratic and highly competitive. He now partly fulfils the promise he then made of writing a chronological account of Elizabethan parliaments. Here he takes the story to 1581, making the relations between the Queen and Commons his main theme and linking up the substance of his many published articles in a connected narrative.

By selecting this theme, Mr Neale is able to give unity of form to his book and to stress the rapid evolution of the Commons in encroaching upon the prerogative and in fortifying and extending its privileges. In elaborating it he is able to use unpublished diaries and pamphlets to bring to life the personalities of members and to trace the ingenuity of their tactics. But by concentrating on this topic and relating it to the greater struggles under the Stuarts, Mr Neale sacrifices much of the general history of parliament in relation to society and government under Elizabeth. The lobbying of local interests expressed in the private bills, the major acts seeking to regulate the national economy and the effects of divisions in the Privy Council receive little discussion.

Mr Neale was the first to reveal how hard a tussle Elizabeth had with her parliaments and how skilfully she controlled them by alternate cajolery and coercion. What is new in the present book is his thesis that from the very first parliament of the reign a highly organised group of Puritan zealots was systematically responsible for the opposition. The Marian exiles, imbued with the organising genius of Calvinism, planned the moves which forced through the decisive Act of Uniformity, and from a study of the later parliaments there emerges "a general pattern of Puritan revolutionary conspiracy," a "fanatical movement" with an "hysterical fringe," composed of men who sought through ceaseless parliamentary agitation to make England into an ideological state. Nor were these fanatics few in number. Mr Neale estimates the irreducible Puritan core in the first Parliament at ninety strong and holds that "Elizabethan England, as mirrored in the House of Commons, was overwhelmingly Puritan in its sympathies." Against these powerful and prejudiced forces Elizabeth stood virtually alone, a liberal *politique*, who yielded only enough to enlarge the constitutional freedoms and but for whom "the broad way of English life would have been narrowed."

It is of great value to have Mr Neale's unique knowledge of Elizabethan parliamentary privilege and procedure assembled and presented with his familiar literary skill; and undoubtedly his thesis lends a vivid dramatic interest to his account. But the drama is misleadingly heightened by the reiterated comparison between Puritans and Communists. Geneva was not a sixteenth-century Moscow. "There were," Mr Neale told us in his earlier volume, "no party politics in the Elizabethan period"; but he now analyses the first parliament of the reign in terms of "the Protestant party" and "the conservative party." As he admits, the thesis of an organised Puritan conspiracy in that first parliament depends on fitting the evidence into a pattern produced by ingenious speculation. His interpretation of the passing of the famous Acts of Supremacy and Uniformity involves the introduction of fresh hypotheses at every step in an argument, which makes difficult reading and a dubious starting point. But if the general thesis is sometimes strained and the field of inquiry disappointingly narrowed, Mr Neale's account of a crucial stage in parliamentary development will be welcomed not merely for its learning and ingenuity but also for its warmth and human interest.

Hollywood's Lawgivers

PICTURE.
By Lillian Ross.
Gollancz. 240 pages. 16s.

THIS is a vivid account of the production from first to last of a Hollywood film that was going to be fine and memorable but in the end was cheapened and spoiled by the employers of the artists who made it. Miss Lillian Ross writes with much skill and little mercy. Her story attracted a good deal of attention in the United States when it first appeared in instalments in the *New Yorker*. But both in America and, since the book appeared, in Britain there has been an over-eager acceptance of the idea that what is here presented is a fierce and impeccably documented indictment of Hollywood. The idea needs a little overhauling.

John Huston, the director, and Gottfried Reinhardt, the producer, are shown to have approached with the high elation of artists who know their job the opportunity of making a film of Stephen Crane's "The Red Badge of Courage." This is a novel about the American Civil War, which sensitively examines the impulses behind bravery and cowardice. Huston and Reinhardt brought their abundant energy and imagination to bear upon the film; they also spent a million and a half dollars of Metro-Goldwyn-Mayer money on what they and the studio executives agreed, when it was finished and privately shown, to be "a great, great picture."

But the film they saw in their own projection rooms was never released to the millions in the movie theatres. What *they* got was a debilitated bowdlerisation of the picture Huston and Reinhardt made—rearranged and ruined, its best scenes left out, its point blunted and its subtleties submerged beneath hackneyed devices never contemplated in the script. Yet to conclude that the men who thus

reduced a masterpiece to mediocrity, and their attendant sycophants, did so simply because they were too stupid and coarse-minded to know any better is to miss the point of this clinical study of Hollywood at work. They acted in obedience to the law which made it possible to create their fabulous and flourishing industry, and which continues to make it possible for Hollywood to survive. They turned something that seemed likely to incur a financial loss into something which, their experience led them to believe, would come closer to making a profit.

"The Red Badge of Courage" went wrong only after it had been received with apathy or derision by a substantial section of the first preview audience at the Picwood Theatre in Hollywood. For:

> As the showing went along, some of the preview-goers laughed at the right times, and some laughed at the wrong times, and some did not laugh at all. When John Dierkes, in the part of the Tall Soldier, and Royal Dano, in the part of the Tattered Man, played their death scenes, which had been much admired before, some people laughed and some murmured in horror. The audience at the private showing had been deeply and unanimously moved by the death scenes. There was no unanimity in the audience now. Several elderly ladies walked out. Now and then, there were irrelevant calls from the balcony; one masculine voice, obviously in the process of changing, called out "Hooray for Red Skelton!"

These were the representatives of hundreds of thousands of audiences upon whose sanctions the big and technically proficient Hollywood industry depends. It can be argued that the "sneak preview" system is a bad one, that greater intellectual and moral courage would occasionally produce unexpected profits, that some of the men of Hollywood, whose wealth and authority rest upon their instinct for what will be popular, are repulsive types. But the moronic element is rooted not in the obedience of Hollywood to the law by which it lives, but in the givers of the law.

The Politics of Eatanswill

POLITICS IN THE AGE OF PEEL.
By Norman Gash.
Longmans. 517 pages. 45s.

THE author of this study in the technique of parliamentary representation between 1830 and 1850 has interwoven, with much skill and judgment, an extensive knowledge of contemporary blue books, of memoirs, and of manuscript sources, particularly the Peel papers in the British Museum. The book does not pretend to be a comprehensive history of these two decades; it hardly refers to the economic transformations of society that were in progress in the early railway age; the solitary reference to the People's Charter misdates it; and newspapers are little regarded. Nevertheless Mr Gash has done a most useful piece of work, and provided necessary modifications to the over-simple view of the great Reform Bill as the start of a new, cleaner era in British politics.

"In comparison with what actually happened in many constituencies," he explains, "Dickens's account [of the Eatanswill election] is underdrawn, conventional, and staid." Numerous examples demonstrate the degree of plain cash corruption that followed the Reform Acts of 1832, showing both where the cash came from, and through what channels it found its way into the pockets of an expectant electorate. Other methods of persuasion were in use as well; indeed a friend of Peel's once wrote to him that he had "never heard of anything so monstrously unconstitutional" as an attempt by a canvasser to persuade the Irish tenants of an absentee peer to vote against their landlord's expressed wishes. On the whole, however, the toils and strains of a contest, the risk of riot and the certainty of expense, were avoided by politicians unless the clash of ambition was not reconcilable by private talks among the gentlemen concerned; and one of Mr Gash's most useful passages shows that "in the five general elections that took place between 1832 and 1847 the average number of those [constituencies] that were contested was only just over half." By the standards of today, even this is better than the election of 1859, in which only one constituency in four was fought; but the standards of today are different, for bribery has been nationalised, and the electorate as a whole is offered a better insurance system or "more red meat" instead of the golden *douceurs* to individuals (£7 a head was a standard rate in a corrupt borough) which might secure the return of a particular pair of members a century or so ago.

Mr Gash also expounds in detail the survival of the nomination boroughs which the Reform Acts are popularly supposed to have abolished: an appendix shows 59 members certainly, and a further 14 probably, returned by patrons of "proprietary" boroughs in England and Wales alone, and many more "family" boroughs like Peel's own seat at Tamworth could hardly be distinguished from them. (It was the boroughs under the control of the Crown that suffered worst from the acts.) A separate chapter expounds some of the mysteries of civil service appointments, to which disproportionate importance was attached; once in 1845

> Two peers of the realm and a baronet, two of them ministers of the Crown, exchanged . . . some eight or nine letters full of compliments, apologies, and requests; and the occasion of it all was a post that brought in ten shillings a week.

An excursus into the local politics of Berkshire contains a general comment typical of this interesting and important book:

> However mistaken in its motives and disappointed in its hopes, the reform movement was the genuine vindication of a principle. If the principle is to be associated with a party, it was in a truer sense the last successful demonstration of the old eighteenth-century "country party" against the "government" rather than a victory of whig and radical over tory.

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By Julian Huxley.
Chatto & Windus. 160 pages. 9s. 6d.

WITH missionary insistence, Dr Julian Huxley has for some time been propagating a view of human affairs professedly derived from his own science, biology, a view which is, he asserts, religious in intention. The present volume is a useful restatement of his thought. He extends the idea of evolution from biology, where it is admittedly of central importance—though not, as Dr Huxley seems sometimes to imply, the whole of biology—to the inanimate world on the one hand and to human history on the other. He is thus enabled to set out in time a series of three evolutionary epochs in the world's history—the inorganic, the biological, and the "psycho-social." As he passes from one to the other the complexity of structure and the pace of development increase while their extension in space and time decreases.

This picture of the world, the idea of a continuous evolutionary process from the beginning of time to our own day so flattering to contemporary man, has become familiar since the Darwinian revolution and was explicitly popularised in the nineteenth century by Herbert Spencer. Though still the common position of a fair number of scientists, politicians and publicists on both sides of the iron curtain, the picture is today somewhat tarnished. As the starting-point of a system, purporting to reveal the whole destiny of man and to furnish a complete set of ethical criteria, it will seem very thin to all those who are not carried away by Dr Huxley's Victorian optimism.

His account of biological evolution, even when allowance has been made for the needs of popularisation, will cause eyebrows to be raised at some of its more sweeping simplifications; but it makes lively reading, and the evolutionary concept does at least apply here. On the other hand, the illumination it can bring to our study of the inorganic is not apparent. But it is as a way of understanding human affairs—and this is critical for Dr Huxley's whole argument—that evolution is today so largely discredited. Evolutionary theories are explicitly rejected in much recent work in archaeology and anthropology. It is not, as Dr Huxley implies, a matter of giving the convenient name evolution to a historical process which is generally recognised. Far from taking such a total view, a modern historian is more likely to question the value of the notion "process" in this context and to insist that history is not that kind of study. For Dr Huxley's assertion that "the main unit of evolution in the human phase is not the biological species, but the stream of culture," if it means that some kind of family tree of "cultures" can be established, will not find much support today.

Dr Huxley speaks for a great number of his non-Christian or ex-Christian contemporaries in voicing the need for a religion to replace that which they or their fathers have lost, but there is really more even in these days to the foundation of a religion than the adaptation to social use of a bundle of metaphors from the natural sciences.

Small and Sturdy

GREEN GOLD AND GRANITE. *A BACKGROUND TO FINLAND.*
By Wendy Hall.
Max Parrish. 190 pages. 17s. 6d.

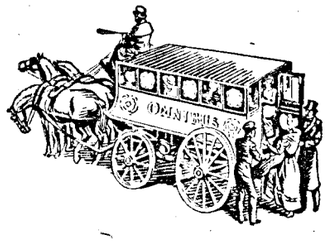
THE green gold is the mantle of forest that covers Finland; the forest whose pine, spruce and birch still enable the rural Finn to build his own house and furnish it; the forest whose timber and pulp provide nine-tenths of the country's exports. The granite, on which Finland stands, emerges in rugged outcrops under the windows of office blocks in Helsinki itself; it emerges, too, in the Finnish personality. But it does not make the typical Finn as materialistic and dour as the caricaturist's Aberdonian. As this delightful book shows, he is an intriguing blend of characteristics, addicted to pints of coffee and to British football pools; voraciously curious and a mighty reader; as fond of understatement as any Englishman but far more articulate; musical and intuitive without any loss to an essentially practical nature; hardworking and reliable despite an occasional spark of violence which calls for "either solitude to soothe him or alcohol to release the tension."

The granite in the Finnish character has been amply demonstrated to the world by the country's resistance to the successive pressures of Sweden, the Tsars and Soviet Russia, and by its astonishing postwar recovery under the burdens of half a million refugees and a crushing Soviet reparations bill. Less familiar is the Finn's tendency, well described by Miss Hall, to live for the day. This weakness has not prevented him from meeting his international obligations and guarding his democratic liberties; but it does not make for thrift.

A certain carelessness about the future may, however, be something of an asset to a people whose ultimate fate rests so largely in foreign hands. Miss Hall's very readable outline of Finnish history, politics and economics makes it painfully clear that now, as in the past, this small and admirable nation cannot hope to chart its own course. What it can do is to assert its sturdy independence to the utmost within the limits set by its mighty neighbour; and this the Finns have done. Due tribute is paid to their feats in these and other directions in this timely and well produced book; but it is by no means wholly uncritical, and the author does not minimise the serious political and economic problems which Finland faces even now.

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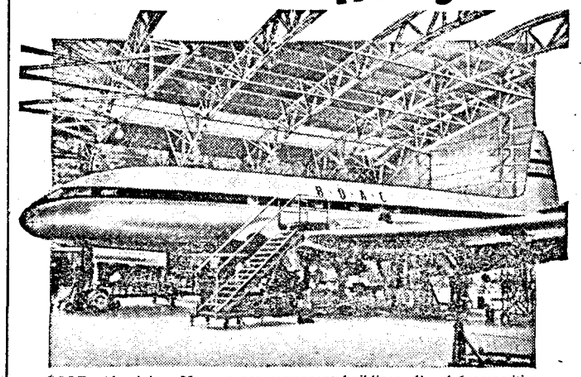
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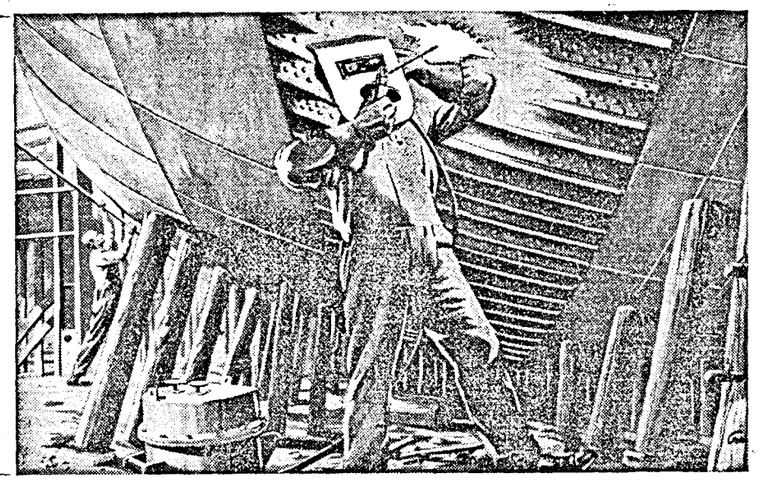
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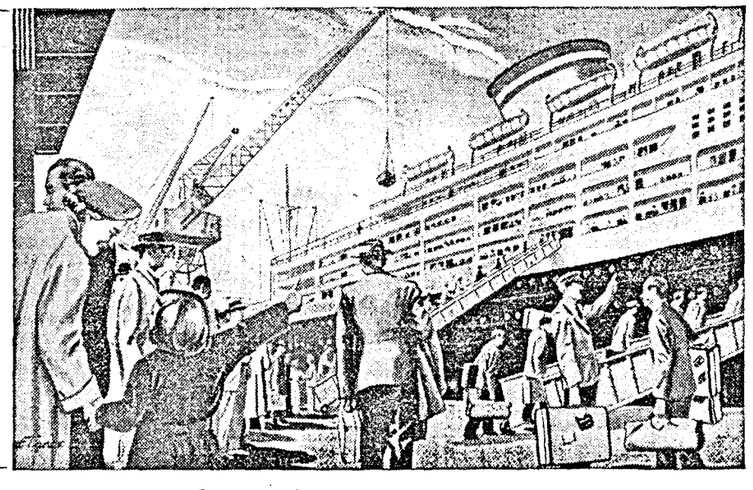
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On Reading *Pravda*

OF all the gestures that have lately come from Moscow the most important is certainly the article in which *Pravda* replied to President Eisenhower's peace programme. Its value is twofold: firstly, it sets clear limits to the hopes that have been aroused in the West and therefore narrows the field of argument and expectation. That is sheer gain, for it should encourage cautious and discreet examination of what Moscow is after and discourage the cut and thrust of public propaganda with which Mr Dulles undid so much of the good done by the President's balanced statement. The job of diplomacy is to inquire and negotiate, not to argue and strike postures. Secondly, the article has put the issues—and President Eisenhower's statement—before the people of the Soviet Union much more fully and rather more fairly than one can remember happening before. That Malenkov and his colleagues have chosen to do this suggests that they are confident not only of the merits of their own case, but also of the possibility of doing business with the West. Indeed, the article explicitly says that they are ready for "a serious, businesslike discussion of problems both by direct negotiation and, when necessary, within the framework of the United Nations." "The Soviet side," it declares, also has its "claims"; but it is ready for "a friendly settlement of contentious questions" provided that unacceptable terms are not laid down in advance.

There is much in all this that is by any standards reasonable and by Kremlin standards strikingly so. Some of the article's statements are admittedly insufferable in their intellectual conceit and objectionable in their interpretation of postwar history: for example, it is useless for the Soviet leaders to defend their active support of "colonial liberation movements" by telling the President that he "simply sins against the commonly known historic laws" when he demands that they stop the incitement; and the record of Stalin's double-dealing in Korea, in Germany and in Eastern Europe is clear beyond any doubt. But it was not to be expected that his successors would go so far as to disavow publicly all his past policies—Stalin's name is not mentioned in the article—or to offer unconditional surrender of all that was gained to the Soviet Union in the years immediately after the war. They might barter some of the fruits of victory, but they would not give them away. It is therefore remarkable, and to a modest extent comforting, that *Pravda* should have discussed terms with restraint, and with notable politeness to Mr Eisenhower himself. Manners under Malenkov have improved.

To say this is not to imply that there is under way any revolution in Moscow's basic policy; the article refers very firmly to "the fundamental interests of the Soviet people" and of their allies. What may be ripe for change is the tactics of that policy, and manners in such a situation are part of tactics. Peace does not mean for Malenkov and his colleagues complete confidence and friendship between present international rivals; it means a state of affairs in which their activities

as leaders of world revolution and directors of Communist parties all over the world can be continued without endangering the security of the Soviet state. Stalin's methods provoked such a powerful resistance in the United States that some of his advisers must lately have seen a clear danger of a war that could destroy the Soviet system. It may well be that Malenkov was among them, and that he sees an improvement of relations with the West in Europe as the condition of continuing the onward march in Asia, the advance of the Soviet economy and the building up of China. Those, at any rate, have been the purposes implied or stated in his speeches. His aim is to find the terms on which the West will give him the treaties and agreements he wants or needs, not to work out some general, all-embracing settlement everywhere.

If there were any illusions on this point—and there seemed to be some here and there in President Eisenhower's speech—the article should modify them. There is no question, it says, of Eastern Europe liberating itself by its peoples freely choosing their governments: "it would be strange," says *Pravda*, "to expect the Soviet Union to interfere in favour of installing the reactionary regimes overthrown by these peoples." It would indeed; but after the Soviet flirtations with Nazi elements in Germany it would be wise not to exclude entirely such a possibility in Eastern Germany. Indeed, Soviet abandonment of the East German Communists is a condition of getting a freely elected government for a United Germany—and *Pravda* knows it.

This does not mean that there is to be any quick and easy way to German unity: the talk is still of Potsdam, which would involve reviving the machinery of four-power control for Germany, postponing the independence of Western Germany and abandoning the European Defence Community. Then there is polite, and not unjustified, criticism of Mr Eisenhower's failure to say anything definite about China, about the Communist government's claim to a seat in the United Nations or about the position of Formosa. There is rejection of any world economic plan which might resemble the Marshall Plan or Point Four. In other words, the United States is told that there is room for discussion and negotiation on some of these matters, but without conditions laid down in advance and on a basis of bargaining between equals about vital national interests. The purpose is said to be a *détente* followed by disarmament—which is almost exactly what President Eisenhower proposed.

Both sides having asked for deeds not words, and the Russians having spoken last, the next move clearly lies with the West. The general and cautious statement issued last weekend in Paris by the Atlantic Council does not amount to such a move, for none of the fourteen foreign ministers had had time seriously to study the *Pravda* article. Three courses, therefore, are open to the western allies. One would be to do nothing and to wait for Moscow's next move. Another would be to find out through ambassadors what is the exact significance of the article and some of its contents. Another would be to concert some move by the three western governments which would test the expressed desire for concrete and businesslike negotiation. The choice is difficult, but the second course seems the best. Further public exchanges would merely increase confusion without increasing confidence. "Businesslike negotiation" is possible now in Korea and would be possible at any moment on Austria, if the Russians wish it. A concerted move by the western allies would be difficult to plan—and far more difficult to concert—until more is known of the circumstances in which Stalin's successors find themselves. Discreet and patient inquiry in Moscow would be best, if only because past experience proves that the Russians will negotiate seriously only in secret and because the present stresses of American domestic policies are best kept in the background. To do nothing is to court the risk that the Russians will decide to go straight to the heart of the difficulty and propose a conference on Germany. It would be wiser to test the ground on other matters first.

Farming Without Boards

THREE thousand growers of apples and pears last week administered a sharp check to the recent attempts to work out a permanent policy for British farming in the postwar world. Those attempts had not, indeed, got far, despite the stimulus that came with the change of government in 1951. The Conservatives have given some earnest of their intention to restore a measure of freedom and flexibility in place of the state buying, fixed prices, subsidies and controls with which British farmers have so long worked. But the farmers—or, to be more exact, those who play an active part in the National Farmers' Union—are suspicious of free markets, linked in their minds with prewar depression; the immediate response to the Government's initiative was, therefore, a greatly strengthened interest in setting up marketing boards. These producers' organisations have the blessing—expressed in the Agriculture Acts from 1931 to 1949—of both Conservative and Labour parties. The minority of fruit growers who have successfully opposed the apple and pear scheme have thereby upset the settled policy not merely of the National Farmers' Union but also of the Ministry of Agriculture and of most politicians on either side.

The boards, of which the best known and most firmly established is the Milk Marketing Board, are designed to enable producers to regulate the marketing of particular farm products. Of the various new schemes

now in preparation, that for eggs is consciously intended to replace state control over distribution. The National Farmers' Union is also thinking about a scheme for cereals, with the same purpose. A fat stock scheme has already been considered, and generally approved, by the union's county branches and is now being worked out in detail. Smaller marketing schemes, for peas and for herbage seeds, have got to the stage of examination by the Ministry of Agriculture. But now all such ideas require reconsideration. For the first time, a scheme for a marketing board has failed to gain the support from producers required to give it statutory force.

★

The Apple and Pears Board was the result of careful preparation. The Minister of Agriculture recommended it with enthusiasm, and the necessary motion approving the scheme was passed by the House of Commons three months ago without a division. The board, consisting of twenty elected representatives of growers and two to four members appointed by the Government, was to have had, immediately, two main powers. It could fix minimum prices for hard fruit sold for processing—that is, in the cheapest market. And it could keep supplies off the market by prescribing minimum qualities; "sub-standard" fruit, as defined at any time by the board, could have been sold for processing (if the processors would take it at the minimum prices) but not for human consumption. In order to make these major powers effective, the board was to be empowered to inspect farms, to prescribe forms of contract and terms of sale, and to forbid producers to deal with wholesalers who did not satisfy the board's conditions. The board was also intended, of course, to improve efficiency by introducing a voluntary grading scheme, providing market information, and so on. But the real point certainly lay in its regulatory—and, potentially at least, restrictive—powers. The NFU's propaganda to the growers emphasised that "a fully organised home industry" provided the "firm base and full authority on which representations for import regulation can be effectively made."

The rejection of these arguments—not for the sake of British people who want the best fruit at the lowest possible price, but by a large minority of the fruit-growers themselves—is the more significant because of the conditions in which the poll was conducted. The Ministry of Agriculture gave the National Farmers' Union its list of hard fruit growers, in order that the case for the scheme should be fully circulated; it refused to let the opposition committee have the list. Whatever the technical rights and wrongs of such an action, its moral effect is plain: the scheme appeared to have very strong official backing. Once again, there seemed to be an uncomfortable element of truth in the gibe that the Ministry of Agriculture would set up a marketing board for buttercups and daisies if the NFU asked for it.

The rejection of the scheme by the producers themselves should at least shake this organisational grip on the country's agricultural policy. Of the growers who voted, only 27 per cent opposed the scheme but they owned nearly 40 per cent of the acreage of orchards. The scheme thus failed to get the necessary two-thirds majority measured by size of interest. It was killed primarily by the larger growers. A glut in the fruit market is as unpleasant for them as for the small men. But they seem to have calculated that they could cope with adversity better on their own account than through an organisation that might be chiefly concerned to bolster up even the growers with the highest costs; and, on the positive side, the board's regulatory powers might have been a handicap to farmers who had sufficient resources to improve the quality and packing of their fruit by their own efforts.

Such considerations will not necessarily work with the same force against other marketing schemes. Hard fruit keeps better than some farm crops, and in principle the producer has more to gain from a marketing board the more perishable the product—and therefore the more the producers, if unorganised, are at the mercy of the middlemen during a temporary glut. But the NFU and the Ministry of Agriculture will be deluding themselves if they think that the vote on apples and pears has no general significance. It follows a great deal of dissatisfaction with the tomato and cucumber marketing scheme. Moreover, of the 30,000 fruit growers with whom the marketing board would have had to deal if it had been established, only 16,800 registered and only 11,000 actually voted. It is impossible to believe that this lack of interest in marketing schemes is a unique characteristic of hard fruit growers.

★

This indifference may be dismissed in part as thoughtlessness. But it also reflects, if in a somewhat muddled way, the dilemma surrounding attempts to use in the fifties the type of marketing scheme that arose in response to the problems of the thirties. In the conditions of agricultural contraction it was plausible to think that competition could be "excessive" and to identify restrictions by producers with the long-term interests of consumers. In the conditions of agricultural expansion no government can afford so simple a view. Conservative spokesmen have been careful to avoid definite promises about restricting imports of apples and pears. The Minister of Agriculture announced his intention of appointing the maximum number of independent members—four—to the proposed board. Above all, the scheme required that the board's main regulatory powers should be used only after it had given the Minister prior notice of its intended actions, which he might then refuse to sanction. According to Sir Thomas Dugdale, this was

> a most important new development in marketing policy, which should end once and for all the criticisms that the producers' boards . . . may act detrimentally to the public interest.

That is an excess of confidence, but it has enough basis to have been noted by farmers who think realistically about agricultural policy. If a marketing scheme contains full safeguards of the public interest—safeguards on which a government of either party should insist—will it seem of sufficient value to the farmer? Will it be a producers' organisation that he can effectively influence and through which he can achieve an extra measure of security and protection against foreign competition? Or will it merely be another species of remote control, another wedge of bureaucratic interference, as tiresome as other kinds of form-filling and ineffective as a means of regulating the market? These are the questions that are being asked in the country.

The Government should now have courage to look beyond the NFU and take note of the real doubts about marketing schemes. The rejection of the hard fruit scheme points the need for a serious reconsideration of agricultural policy. There is not, it should be quite clear, any possibility of abandoning all regulation and restoring a completely free market in agriculture. Output would not be expanded if the promise of stability to the farmers were thrown over. But that promise requires government support through such devices as floor prices or deficiency payment schemes rather than by restrictive regulation in the interest of producers. And if the regulation is not restrictive, it offers the producer little advantage, and much inconvenience, compared with a free market—free, that is, to move above the support level. For a few farm products marketing boards will probably survive or be established. But for the majority of products, there is now at least a chance that the farmer will be content (as he should be) to have a guarantee against disastrously low prices and beyond that to face relatively free competition. If the Government is serious in its belief in economic freedom, that chance will be vigorously explored.

New Reign in Iraq

FROM OUR SPECIAL CORRESPONDENT

ALL Iraqis love a good story. Today they tell the tale that when the Creator was flown round the world by Comet, He looked out on country after country and did not recognise it. New York, London, Europe—all went by and He was baffled until He got to Iraq when He exclaimed: "Now I know where I am; this place is just as I made it." Upon the tone in which this story is told—whether in that of hope or of despair—hangs the future of the new reign that begins in Iraq today.

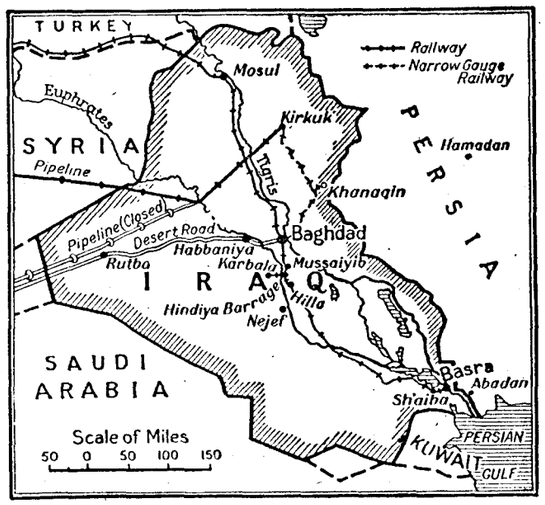
Baghdad is flagged and tonight will be fairy-lit, as is appropriate in view of the immense promise of the moment at which King Feisal II comes to the throne. Millions a year from oil royalties, ample water supplies that have flowed by unused for centuries, millions of acres of potentially fertile land, no population pressure and plenty of living space—nowhere else in the Middle East are all these boons available at once. Even a lethargic peasantry is becoming aware of them. Why, then, has the country for more than two working years had a Development Board which has brought the underdog so few benefits despite so much money? Why do successive ministries hold out glorious plans which hang like a mirage somewhere just out of contact with the earth? Why do the people who ought to be men of action criticise, bicker and pick trouble with one another rather than get on with the job of converting royalties into material improvements? These are the questions which are being asked today in the three leading towns of Iraq—Baghdad, Basra and Mosul.

Even a coronation cannot paper over some alarming features of their gloom—notably that some of it is justified. In the last two or three years, ministries have enormously increased their staffs and, as happens when too many civil servants are appointed to keep applicants quiet, decreased in efficiency. The machinery for carrying out the plans is seriously defective. In the same period the landed upper class of which parliament so largely consists has, while paying lip service to reform, turned one at least of the new land laws to its own account; it seems quite unable to learn twentieth century wisdom. When, last November, despair came to a head in the form of riots in Baghdad and in the Shiah pilgrimage town of Nejef, only the army saved people's skins; yet the bad fright which politicians then received has been quickly forgotten. They have returned to their carping ways and unless the new and effective reign produces a more determined and effective cabinet, there will be no disguising the fact that educated society in Iraq is cloven from top to bottom. The cleavage is epitomised in the arguments that take place over whether there should be fireworks tonight or a new royal palace this year; the older men contend that "the people expect it," the younger that it sickens them to see such expenditure while the poor go hungry.

Someone must be blamed for the lack of action and one target is, of course, the foreigner. Fed by the habit of blaming the British and by anti-western propaganda, much of which is carried into Iraq by the million Persian pilgrims who each year visit Nejef—the Shiah equivalent of Mecca—anti-western tales abound. All

the new schools are "western barracks" and even the new water storage schemes for flood control and irrigation are "making lakes for seaplanes—small lakes for British, big ones for American." But far more disquieting than this uneducated nonsense is the other and native target for criticism. Even ministers and potential ministers have taken to sapping the strength of the Development Board. This body was founded in 1950 on a non-ministerial and permanent basis, in order that it should not be over-subject to the whims and changes of cabinets and parties, and could do its long-term job with continuity. Today, there are alarming suggestions that as it has shown so few results, it should once more, either immediately or by stages, become a ministry.

This week, however, a new and promising start has been made with the appointment of a former economics Minister, Dhia Jaffar, as chairman. His predecessor was much criticised, and judgment of what was best for the country was clouded by this fact. In fact, the Development Board has in two years begun some good work, a little of which has been completed either by it or by ministries, but most of which is unappreciated by Baghdad because, being in the provinces, none of it *shows*. To mention only the major jobs: it has taken over and completed work on the Euphrates Flood control and storage scheme at Habbaniya lake; and since 1952 the lake has been used to avoid serious floods. Farther downstream, at Mussaiyib below Baghdad, it is extending existing canals and restoring old ones, and will have the Habbaniya summer storage water to bring new land into use to settle some 12,000 families by 1956 or 1957. On the Tigris, it has begun the great outlet channel into the Wadi Tharthar which will be completed in 1955 and will save Baghdad and southern Iraq from almost annual flood disaster.



All over the country, the Board has constructed a great number of schools, hospitals and houses for officials. It is confronted with many conundrums, such as whether to contract for road and drainage projects using hand labour and so remedying unemployment, or whether to employ machinery and work faster. Yet whatever it does, it is now, out of impatience, coming to be judged wrong. "Give us seven years," it says, "and the Creator won't know Iraq." But it is engaged in a losing race with public opinion. To give some idea of its struggle for repute: when the first 400 lots of small holdings from the Mussaiyib scheme were distributed, there were 16,000 applicants of whom 12,000 were thought to be valid. The next 4,000 lots will not be available till the end of next year. A man forced to wait harbours a grievance, and a peasant whose land is for once unflooded does not appreciate why.

The board could be doing far better in the race. Its drawbacks are that it is unimaginative about handling public feeling and that its publicity is lamentable. It could have built something for the critics in the capital to be proud of, such as a new Royal Hospital in Baghdad. It could, but does not, show its valuable but distant works in films and photographs; it could, but does not, even invite journalists to come out and see them. Its lack of capacity to check impatience may be its undoing, and its undoing would be a disaster because, given its problems, no conceivable alternative form of body would be an improvement upon it.

The trouble with the board's political critics is that they are unable to let well alone. Daunted by the magnitude of their social duties, and torn by personal considerations, they grow disheartened and cure their mood simply by changing the shape of their organisation, by appointing a new higher council here, or moving a department there. So overworked is this gambit that one hears on all sides fervent hope that a Neguib will emerge and abandon it, or that a post-coronation cabinet will at least take on some of the facets of national socialism.

Even Nuri Pasha, who—though he was the butt of the November riots and belongs to the generation of the socially unconscious—is widely recognised as a man of action, is being mentioned by younger men as a possible dictator. The gloomy side of the medal is that the middle class is at present merely radical and, immediately it is driven to despair, has at its disposal a ready crowd of unemployed, of students with red leaflets in their pockets, and of suburban peasants. The bright one is that, given vigour at the helm, relatively few improvements could tide matters over until the Development Board shows results. A great deal hangs upon using a new reign to open a new vista in this, one of the most important states of the Middle East. If Iraq can be given good government, its prospects would be bright indeed.

Cat and Mouse Truce

THE news that the truce talks would reopen at Panmunjom last Sunday for the first time since October had aroused great expectations. It is not surprising, therefore, that their apparent deadlock after only a few days' session has led to sharp disappointment. The free world's yearning for peace has been so intense that in some quarters hopes were naturally raised which were bound to prove false. For nothing that has happened so far, either in Korea or anywhere else on the broad front of the Communist struggle, has given proof that the Communists, if they have changed their general tactics, have changed their methods in matters of detail. If there really is to be peace in Korea it will certainly come only after hard bargaining.

Part of the present disappointment springs from the way in which the reopening of the truce talks was preceded by the Communists undertaking to release immediately all those prisoners of war who were seriously sick and wounded. When to this was added the release of a number of civilian internees, some of whom had at times been given up for dead, the Communist intention to have a truce at first seemed clear. Hopes were still further encouraged by the sudden access of apparent sympathy and warmth with which the Communist authorities had begun to treat returning prisoners. The first substantial blow to be struck at this mood of optimism was the statement made by some of the returning prisoners that others had been left behind in far worse condition than they. The whole exchange of sick and wounded had been based on the idea that the worst should be first; instead it began to look as if those released had been hand-picked. A further shock was felt as reports were spread of atrocities committed in the prisoner of war camps, particularly those where Americans were held.

From the evidence of the last two or three weeks, however, it would clearly be wrong to expect the Communists to stop squeezing the last drop of propaganda value out of any given situation. It is a sickening thought that the grim sufferings of the individual victims of war should be used as a pawn in a political game. Yet the cynicism of such an act is part of modern war itself, and the Communists have never yet spared anyone if their purpose was served by making him suffer. The campaign in Korea, though on a limited scale, has been a total war. There is, on the other hand, no evidence to suggest that the Communists have gone out of their way to treat those who have fallen into their hands with special harshness. There have been revolting accounts of appalling hardship in the earlier stages of captivity, brought back by those who have already been released; but these former prisoners seem equally agreed that this brutality was due in general not so much to deliberate policy, as to a mixture of barbaric callousness, the impact of Asian conditions on westerners, and the desperate shortness in North Korea of everything that makes life tolerable.

In these circumstances, if public opinion is to support governments effectively, it needs to strike a balance between the first careless rapture of optimism and an opposite tendency to discount the Communists' willingness to have a truce at all. That the talks have been reopened is already something; and if that event has any meaning, it is surely this: whereas the Communists were previously bargaining without intending to achieve a truce, they are now doing so with the intention of having one.

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There are five main elements in the bargaining which this implies. The most important point discussed at Panmunjom this week was the nomination of a neutral power, to take charge of those prisoners who decline to be repatriated in the period immediately following a truce. The Swiss are willing to play this role; they have officers standing by ready to fly to Korea at a moment's notice, and by tradition and instinct they are a most suitable choice. It is, however, understandable that the Communists should have objected to Switzerland, which is a western country and one already nominated, as they protest, to be a member of the neutral nations supervisory commission for the truce as a whole. The second and third objects of bargaining are the location—in Korea or elsewhere—of temporary camps to house the prisoners unwilling to be repatriated, and the length of time they should spend there. General Harrison, the head of the United Nations delegation, condemned the Communist proposal that the prisoners should remain in neutral custody for a total of nine months, and asserted that two months should be quite enough to separate the sheep from the goats. But what the Communists really appeared to be seeking by proposing such an inordinate delay was the opportunity to re-indoctrinate their own unwilling citizens.

Clearly it is reasonable that representatives from a prisoner's native country should be allowed to visit him during the interim period. The difficulty is to decide for how long, how often, and in what circumstances. It should not, however, be beyond the wit of the negotiators to lay down conditions which would not leave scope for intimidation. Above all, in bargaining with the Communists about these all-important details, particularly the length of time for which neutral responsibility should be maintained, it must be recognised that for them this procedure may represent the only way

of abandoning without loss of face their original insistence that all prisoners must necessarily be repatriated. For, indeed, the last question always remains: what happens at the end of the temporary period to those who still refuse to go home? The best that can be hoped for is that this question should be included in the political negotiations that must follow the signing of a military armistice.

The problems of that political conference remain as forbidding and obscure as at any time. It is, of course, reasonable to argue that the fresh possibility of a military truce now increases the need to secure agreement among the United Nations themselves about their political aims in Korea; but it will do no good to insist that these political talks should take on the nature of a grand peace conference for the whole Far East. It may be that the Russians and Chinese, once they had secured a truce, would continue to demand that it be followed up by a discussion of all outstanding questions in the Far East. But, whatever softening there may or may not have been in the recent Russian attitude, it has not led to any reduction of Russian support for China's two predominant claims: that the Chiang Kai-shek regime should be liquidated, and that Peking should have a seat at the United Nations. The British and American governments, it is true, approach the long-term solution of these two questions from different angles, but neither is prepared at present to concede these demands. That being so, it would be foolish to hope to turn the discussion of a local Korean settlement, which seems possible, into a wider inquest on Far Eastern problems, which still seems impossible.

Self-Improvement and the State

THE appointment of a committee is a common preliminary to making an official decision. But the Minister of Education has gone through the looking glass. She makes the decision and then appoints a committee to inquire into the reasons for it. She announced last week that a committee is to be appointed to review the arrangements whereby grants—amounting to 75 per cent of their teaching costs—are made for adult education to the Workers' Educational Association and to the universities. This marks a truce in a long controversy. In January this year the WEA and the university departments received a letter from the Ministry informing them of Miss Horsbrugh's decision to cut their grant by 10 per cent. This news was badly received in the press and in the country generally; indeed, it appeared that adult education was dearer to the nation's heart than anyone had realised. The Minister then pleaded that she had only "proposed" to cut the grant; nothing was settled and she had asked the "responsible bodies" for further information, particularly about their commitments towards their full-time staff and about the extent to which they could raise fees.

At this point the Prime Minister burst into the controversy. A letter of protest from the TUC received the following reply:

> There is perhaps no branch of our vast educational system which should more attract within its particular sphere the aid and encouragement of the state than adult education. . . . The mental and moral outlook of free men studying the past with free minds in order to discern the future demands the highest measures which our hard pressed finances can sustain. I have no doubt myself that a man or woman earnestly seeking in grown-up life to be guided to wide and suggestive knowledge in its largest and most uplifted sphere will make the best of all pupils in this age of clatter and buzz, of gape and gloat.

Prime Ministers' letters are sometimes drafted by their private secretaries; but this one had the authentic touch, and though it went on to say that the level of fees should be looked into, it doomed the 10 per cent cut. Perhaps the Prime Minister did not know that a definite decision had originally been made; perhaps he was bowing to public opinion; perhaps the Chancellor of the Exchequer, with his interest in education and his past support of the WEA, had put in a word. Whatever happened, the Prime Minister's letter was in spirit a repudiation of Miss Horsbrugh and there was nothing for it but to appoint, after a decent interval, a committee.

It so happens, however, that there are some interesting matters for the committee to inquire into. Times have changed much since the existing arrangements were made. It is arguable that the state is now doing enough by assisting local authorities to provide adult education—an education which they are urged to make primarily vocational, and in which the nation therefore has a direct economic interest. Is there any longer a case for giving state aid also to the liberal education that is provided by the WEA and the universities when—on paper at least—everyone now has a chance to begin his liberal studies at a secondary school, and when everyone who is capable of profiting by a university career can get to a university? In 1924, when the school leaving age was fourteen and the university population was half what it is now, the state could feel some obligation towards able people who were thrown out of school barely provided with the mental equipment necessary to teach themselves. Today, when it is spending at the rate of £286 million a year on education, has not that obligation disappeared?

The Workers' Educational Association was founded by Dr Albert Mansbridge in 1903, to bring workers into university extension lectures. But the smatter-

ing of culture that they gave was unsuited to the WEA's serious purpose, which was to enable "working people" to develop their capacities and to equip them "for the work of securing social and industrial emancipation." In 1907 it therefore proposed that the universities—in the first place Oxford—should form joint committees with the WEA to run three year tutorial classes of university standard. The universities assume the academic and financial responsibility (aided by government grants) for these classes, while the WEA is responsible for organising them and finding the recruits. Since 1924 the WEA has also received a direct grant from the Ministry in order itself to provide classes of a less exacting standard—terminal and one year courses—which are intended to be a prelude to the longer courses of study arranged with the universities.

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The appeal of the WEA is certainly less potent than it was. The actual number of manual workers who are its students is hardly higher than it was twenty years ago, and as a proportion of the total it has fallen from 33 per cent then to less than 20 per cent today. (It is higher in the North—40 per cent in Yorkshire, for example.) This may not be a true measure of the social status of the students, because one of the occupational groups that has grown considerably is classified in WEA statistics as "home duties and nursing"; this presumably includes many working-class housewives. But it is certain that the proportion of middle-class students in WEA classes has increased. If this process continues the association will lose at least part of its *raison d'être*. Dr Mansbridge would have thought it had lost it already, for he said that at least 75 per cent of its members should be "labouring men and women." It may be objected that this is unduly class-conscious, that the workers are now all who work with hand or brain. But if the WEA is to become primarily a middle-class organisation it is not the organisation that the state originally decided to subsidise, and it can be argued that middle-class people who like to use their leisure in this way should pay the full cost of lectures for themselves. This argument will become stronger if the increase in the proportion of middle-class students feeds on itself, as it may. The "labouring man" begins to feel a fish out of water, even in the pond that was specially provided for him; and he may find it hard to learn when most students in the class have been better educated than he has.

If the composition of the association is not what it was, nor are the standards of its work. In its early years it aimed only at university standards. Today membership is not so exacting. The percentage of students in tutorial classes has fallen from 20 per cent twenty years ago to 11 per cent today. The modern middle-class students seem to lack the enthusiasm, the crusading spirit, that inspired the association's earliest members. This loss of objective probably accounts, too, for a change in the subjects studied. "Education with a social purpose" and "social and industrial emancipation" both demand studies that are directly related to the economic and social problems of the time. Changes in WEA classes have shown in the past correspondence with the issues of the day. Today economics and social studies still form the largest group of subjects, with 18.6 per cent of all the classes; but classes in appreciation of the arts, particularly music, have increased their share of the association's work to 15 per cent. It is an excellent thing that people should develop their appreciation of the arts; but it is education for pleasure rather than for social purpose. It encourages them to put their feet up and listen to the radio, but hardly to change the world for the better—as Dr Mansbridge had intended it should.

Such are problems of adult education after fifty years of the WEA. The association's leaders are certainly aware of them. The director of extra-mural studies at Leeds, for example, has urged that they should try to narrow their clientèle to the working class. As for raising standards, the association is increasing the proportion of its advanced tutorial classes, and this may partly account for the recent fall in the total number of students, now 96,000. But the standards of its early years are unlikely to be regained because it has fewer people of university calibre to draw on. And even if these efforts are only moderately successful, the WEA certainly remains a valuable organisation, whose activities it would be a pity to curtail. It helps to bridge the gap between the best and the worst in British education; in an age of slogans it is teaching at least a small part of the electorate to weigh facts more accurately. It strives honestly, even if not with entire success, to be non-partisan in politics. The danger in cutting the state grant for these purposes is that it might—in time, not immediately—intensify the association's problems beyond hope of a solution. If the grant were cut by 10 per cent, the fees to students would have to be raised very sharply, unless more could be raised from other sources, such as affiliated trade unions. The present fees are, indeed, very low—between 3s. 6d. and 5s. for a course of six lectures; but the increase might be enough to drive away precisely those students whom the association most needs, making it still more a middle-class organisation, with little sense of purpose. Before very long, that change in character may have to be accepted as irrevocable. But it would be a pity to accept it just yet. In real terms, adult education did sustain a cut in government aid last year: its grant remained unchanged, although costs had risen. This year the WEA celebrates its jubilee, and it would be a bad moment to continue the process of attrition. The proper task for the committee is rather to consider what sort of adult education is still properly a matter for state aid, and what scope for such education survives in the new Britain. It would be foolish to complicate this decision by a concern for tiny savings—the 10 per cent cut would have been £34,000—either this year or next.

Notes of the Week

Knight of the Garter

THAT the Queen has repeated her father's offer of the Garter to the Prime Minister, and that this time Sir Winston Churchill has accepted it, has given great pleasure. Generally speaking, most people would prefer to hold to the convention that the leader of the Commons is plain Mister—it is the English form of Napoleon's *redingote grise* among the brilliance of his marshals. But this breach can be excused on the double ground that it is temporary—for Sir Winston must surely now be nearer the end of his career than its beginning—and that it is exceptional, for there is never likely to be another Prime Minister with such a remarkable variety of claims to personal distinction and, to top them all, with the magnanimity of character that makes it difficult to dislike him. He has, in a long lifetime of controversy, collected more opponents than any man now living; but never has there been a politician with fewer enemies. The Garter sits well. *Honi soit qui mal y pense.*

Final Fling on Transport

No one emerged with much credit from the wrangle in the House of Commons over the Lords' amendments to the Transport Bill. If the Government can claim that Labour's delaying tactics made a "guillotine" motion inevitable, it cannot itself escape the charge of having needlessly provided a *casus belli*. It applied the match to this powder barrel before the Bill ever left the House of Commons. Possibly because the chief architect of the Bill, Lord Leathers, sits in the Upper House, the Government allowed a number of amendments that could have been handled during the report stage in the House of Commons to be left for the Lords to deal with. Not one of the 70 amendments made by the Lords really introduced a new issue, but several entailed substantial additions or redrafting. There is no reason why the Lords should not do such work, but the Government does not seem to have made adequate allowance for the right of the Commons to consider changes of substance. This is a constitutional point, and it is not made less valid by the antics of the leaders of the Opposition. First, they over-stated their case and then flagrantly broke a convention themselves by trying to repudiate all pairing arrangements made by Labour MPs.

The Opposition launched into its talking marathon when it became satisfied that the Government was unwilling to allow reasonable time for the Lords' amendments to be considered. At an early stage in the dispute there appears to have been some misunderstanding behind the scenes, and there is no reason to doubt that the Government was genuinely surprised by the Opposition's reaction. But the Leader of the House and the Tory Whips should have been quicker to sense the fact that Labour MPs were spoiling for a last-ditch fight on transport, and that Mr Attlee's absence allowed free rein for competitive leadership from their front bench. If the Government had graciously offered an extra day for discussion at an early stage, the Opposition's obstructionism would have been shown up quite clearly for what it was and charges of undemocratic behaviour against the Government would have been laughed out of court. As the orderly passage of the Steel Bill has shown, in the long run it usually pays a government to err on the side of generosity in granting time. A day or two lost on the matter in hand is usually recovered later because other business can be transacted more speedily thanks to the more amicable atmosphere created.

In the case of transport the day saved at the price of a good deal of bitterness must now be set aside for a censure motion. The Government can gain little satisfaction from the fact that out of the three occasions on which it has had to resort to the "guillotine," two have been for such minor matters as amendments from the other place and the paltry little Bill to denationalise public houses in the new towns.

Soft Pedal for Labour

THE national executive committee of the Labour party spent last weekend in a second intensive discussion of future policy. Almost all the important decisions have now been made. The declaration of policy will be ready for publication soon after the Coronation.

By all accounts, this weekend meeting confirmed what its predecessor indicated five months ago: both wings of the Labour party are tired of quarrelling, and in this mood they can discuss policy with a measure of friendliness and agreement that might not be remarkable anywhere else but certainly is remarkable—by contrast with the past two years—in the Labour party. Left and Right last weekend failed to compromise on only one matter: the proposal to nationalise rented land. This had to be put to a vote, and the Left was defeated. This leaves only one major matter unsettled. The party executive appears to be fairly well agreed that the chemical industry (defined as Imperial Chemical Industries and perhaps one or two other firms) should be nationalised. The General Council of the TUC thinks that a commitment to this policy would be rash;

but the disagreement seems to be less wide than many of the press reports have suggested, and some form of words satisfactory to both sides will no doubt be found.

If the proposal to nationalise chemicals is postponed, the new programme will contain (apart from the renationalisation of steel and road transport) little Socialism of the 1945 vintage. The pale new version of nationalisation—a controlling state interest in selected firms of major national importance—will be applied at the first bite to the aircraft, machine tool and mining machinery industries. The idea of disturbing ownership in shipbuilding firms seems to have been dropped ; instead the industry will be subjected to a development council "with teeth," whatever that may mean. Industrial proposals of this sort are supposed to be related in the policy statement to the national need for higher productivity, and Labour is also putting great stress on the necessity of growing more food. A new housing policy is clearly a political necessity, and it is said to be fairly close to the ideas for more municipal ownership that the Co-operative party has already advanced. It would be unwise to pass judgment on the strength of these reports before the policy statement is published ; but it seems clear that the new Labour tune will be played with more use of the soft pedal than was at one time threatened. Nevertheless it remains difficult to see how the tune can be alluring to the marginal voter—or offers much promise of a realistic economic policy.

Nato's Spring Meeting

THE more businesslike Nato becomes the more undramatic the meetings of its council. That is an excellent thing, for it is now possible for fourteen foreign ministers or their permanent representatives to consult regularly without creating a newspaper story or a diplomatic incident. Last weekend in Paris the statesmen spoke in council but did not seriously argue. (It would have been difficult to do so with 250 people in the inadequate conference room.) They found their main business, the approval of the annual review of forces and resources, already negotiated and tidied up by the secretariat and national representatives. Bitter arguments over contributions to infrastructure had been brought to an end by the Secretary General, and the military had won their fight for quality against quantity and for secrecy against boasting. With the city's chestnut trees in blossom it must have been a satisfactory experience for the statesmen.

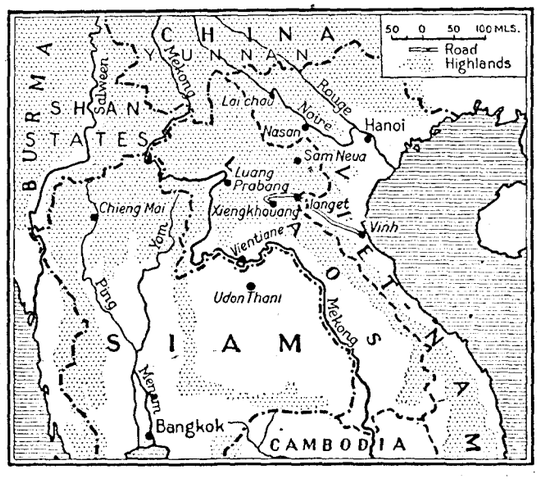
Their decisions constitute a plan to conduct as usual the business of rearmament and defence organisation, in spite of Soviet gestures. General Ridgway will get more divisions and those he has will be greatly improved ; one or two bluffs by staff officers in south-eastern Europe have been called by exacting higher standards of training, equipment and support units. The uncertainty about future American aid and about the German contribution to the EDC remains ; indeed, much planning could be wrecked either by an unfriendly Congress or by a failure to create German units. An excellent and less painful technique of inquiry and examination has been worked out for bringing and keeping defence and finance ministers up to scratch ; and it can perhaps be claimed for the first time that Nato—especially through Lord Ismay—can bring real authority and pressure to bear on national governments.

But it has still to be emphasised that Nato's military advisers are dissatisfied with the forces given to them for the job they are told to do ; and it may also be said that Mr Dulles, who was attending the Atlantic Council for the first time, has much to learn about the tact, modesty and readiness to listen that are required in that body.

Next Victim Laos

ALTHOUGH the Communist drive into Laos is not a great military achievement, its political consequences could be considerable. The attack was not entirely unexpected and the operation might have been attempted a good many months ago ; but the fact that it is now going ahead without serious opposition creates a new situation in Indo-China. To the question why this moment was chosen the simplest answer is that the Vietminh, having failed to dislodge the French-controlled forces from the rich Red River delta in Tonking, are striking down into Laos as an easier alternative.

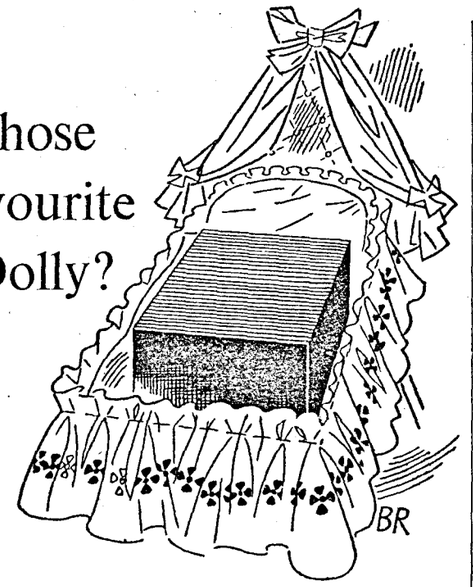
But the stakes are potentially so big that this explanation is not quite adequate. It is impossible not to feel that both the Russian and Chinese leaders are licking their lips at the prospect of the added prestige to be won by capturing an



entirely fresh country in South-East Asia, however small. Laos, with its politically indifferent population of three million, is in danger of complete collapse before the Vietminh invasion. The Communists can hardly be expected to forgo such a neat thrust towards several bigger, long-term objectives. One of these would be the intimidation of the Siamese ; another would be to push on into Cambodia too—equally a soft spot—and turn the flank of the whole French military position in Vietnam.

What can be done to stop this ? Perhaps very little. A contributory factor has already been the unfortunate

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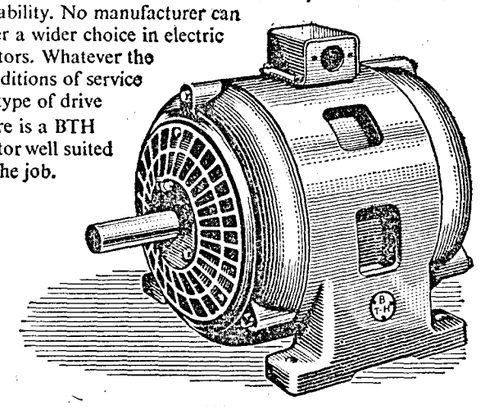
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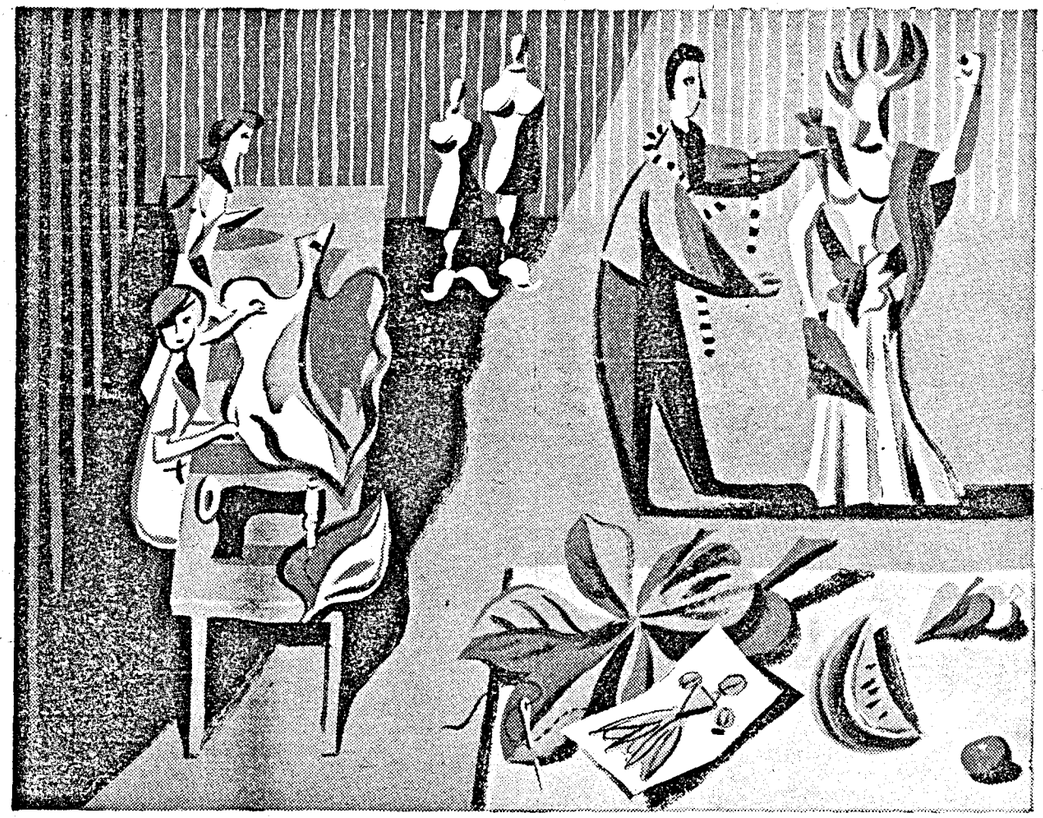
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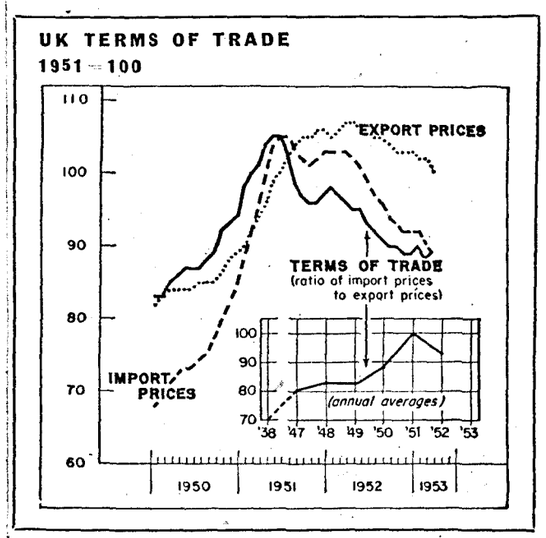
SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

strategy of the French high command in tying up no less than 16 battalions in the useless garrisoning of Lai-chau and Na-sam. But unless these troops can be extricated quickly by air and flown down to hold a line across the narrow waist of central Laos, the probable fall of the capital, Luang Prabang, may be only the prelude to the seizure of the rest of the country.

Rebuff for the Coal Reformers

To offset its rejection of the Government plan to give judges a tax free increase of salary, the 1922 Committee has now come to the Government's rescue by rebuffing the group of backbenchers who have been waging a campaign against its fuel policy. Having thus impartially displayed its strength, the committee can feel it has largely recovered the independent status it used to enjoy but lost to some extent after 1945. The formal title of the 1922 Committee is the Conservative Private Members' Committee. It follows that when the party is out of office, and all Conservative MPs are private members, all belong to the committee and it loses its distinctive character as a separate instrument of back-bench pressure. Now that it has again become exclusively a backbenchers' body, the committee is regaining its position as a force independent of the party leadership.

Regarding itself as the guardian of the party's conscience, the 1922 Committee does not seem to have been very impressed by the campaign being waged by a few of its number, ostensibly for an inquiry into the Coal Board but in reality for a change at the Ministry of Fuel. But the committee's willingness to be persuaded by Mr Lloyd to rebuff the campaign was conditional. It is far from complacent about fuel and proposes to keep the matter "under close and continuous review." In effect it accepts Mr Lloyd's argument that the Coal Board and the miners should be allowed time to develop their own production drive. Certainly an inquiry at this moment would be politically tactless. But the committee served notice on the Minister that if the additional output is not forthcoming, the debate will be resumed in a less happy atmosphere. It is ironic that a Conservative minister should thus find his reputation—possibly his job—depending on the success of a nationalised industry.



Wages and Output

Economic policy was debated on Wednesday in both Houses of Parliament. In the House of Lords, Labour peers expressed their fears that the Budget was inflationary and that it would make Britain more vulnerable to the effects of an American recession. In the House of Commons, the Opposition blamed the Government for the fall in production during 1952, and for its failure to take remedial measures. It is not easy to reconcile these two lines of criticism. If there really is scope for a financial stimulus to production, the Budget is unlikely in itself to cause inflation. The Opposition seems to be mainly concerned to prepare the ground for saying "we told you so" whatever happens. Certainly if the Chancellor's calculations do not come off, and the tax concessions fail to stimulate production, then the Opposition will have been right in saying that the Budget is inflationary. But that does not justify its criticism now, when the risk has to be taken, one way or the other. Moreover, Labour's alternative apparently is to direct all the Budget concessions to those who are least likely to save, with results that would have been more inflationary.

Certainly a failure to increase production is likely to upset the Chancellor's policy disastrously. The trade unions are making sure of that by their latest wage demands. On Wednesday the representatives of the 38 unions affiliated to the Confederation of Shipbuilding and Engineering Unions decided to recommend a demand for a wage increase of 15 per cent. They got their last increase, after a prolonged struggle, only last November and the cost of living has risen only two points since then; but they have not forgiven the fact that they were then beaten down from £2 to 7s. 4d. If the confederation decides to press this demand—as it is likely to do, for the claim has the approval of the powerful Amalgamated Engineering Union—that would probably fire off another round of wage claims. Already the shop workers are asking for an increase of 15s. a week and the building workers the additional 6d. an hour that was not granted when their wages were automatically adjusted to the cost of living in January. The agricultural workers too are demanding a substantial increase. The situation is familiar. Some workers have reasonable grounds for higher wages on the assumption that other wages stand still, but in practice the claims are once more developing into pressure for an all-round rise in wages that will help no one and will probably—unless the overseas demand for British exports is more buoyant than it looks—hurt everyone.

The Town Hall and the Parties

A YEAR ago, heavy Conservative losses in the county council elections were taken, rightly, as some measure of Government unpopularity. Next week, the Conservative party machine can face the local elections with more confidence; after 18 months in office the Government has a far better record than it had after six months.

The results of the local elections will, however, be overshadowed this year by the verdict to be given by the electors of Sunderland South at the parliamentary by-election on May 13th. This is a marginal seat. It could be captured by the Government. It was won by Labour in 1951 with a majority of only 306, and even the intervention of a Liberal candidate does not make another Labour victory certain. If the Government won, its majority over all parties would be raised from 16 to 18, and its majority over Labour from 24 to 26. In a narrowly divided House such a gain would magnify the impact on public opinion of any noticeable swing towards Conservatism. All these things will no doubt be made plain to the Sunderland electorate, and the by-election will be fought much as if it were part of a general election.

The poll for the local elections, on the other hand, must be expected to be relatively light, the issues partly local, the sense of political occasion inevitably far less. Nevertheless, the results will not be unimportant; for as usual the parties are treating the elections as an issue of party faith and national interest, and thrusting the real purpose of local self-government into the background. The contest will be hottest in the metropolitan boroughs, all of whose members retire; 17 Socialist and 11 Conservative boroughs will be choosing again. In the case of the county and non-county boroughs, and of the urban and rural districts, only one-third of the council members retire, so that the control of relatively few councils will change hands. Of the 309 non-county boroughs, 60 are at present Labour, 246 Conservative or anti-Socialist and three equally divided; of the 83 county boroughs, 37 are Labour, 42 Conservative or anti-Socialist, one Liberal and three equally divided. Only 27 councils, however, are regarded as properly borderline cases. Though the Conservatives can point to a favourable national record, Labour is making good use of the continued rise in rates and alleged cuts in social services: both of these strike urban ratepayers and local government electors most forcibly. The Conservatives would be unwise to assume that their firm seat in the saddle in Whitehall will enable them to strengthen their grip on the Town Hall.

News Values in Moscow

LAST Saturday the Russian reader was offered a big dish of foreign news with his breakfast. Already for some weeks the space devoted to international topics had been increasing, but this time only a quarter of the newspaper was left for domestic news. Both in *Pravda*, the official organ of the party, and in *Izvestia*, the official state organ, all the six columns of the first page were taken by the Soviet reply to President Eisenhower's speech. The speech itself was reported *in extenso* over four columns on the third page. On the next day the trade union journal, *Trud*, and other Moscow papers followed suit, giving both the speech and the reply.

There was an occasion when Mr Morrison was allowed to present the western case in *Pravda*; but the new departure is much more important. This time, without any apparent compulsion, the Soviet leaders decided to include the other side's argument together with their own, thus enabling the reader to make his own judgment. This, even more than the mild, reasoned tone of polemics must have struck as a novelty the readers of the Russian press. Here, indeed, was a review of the international situation with a difference. The effect on the Soviet public is well illustrated by the fact, reported from Moscow, that throughout the day crowds gathered around the boards where *Pravda* and *Izvestia* were posted and discussed the news.

It is significant that the bulk of the remaining space in *Pravda* was taken up by a feature called "More Consumer Goods for the Population," echoing the reaction throughout the country to the May Day slogan calling for a better supply of the products of the light and food industries. Indeed, this has been the other main topic plugged by the Soviet radio and press since the advent of the new regime. Implicitly the two topics are closely interwoven. On the eve of Stalin's death, vigilance against the enemy, discipline and sacrifices were the order of the day. Then the Malenkov group came forward with the promise of peace and a better standard of life. The Soviet public is now being made aware that the two are inseparable, that the standard of life may largely depend on the outcome of the polemics with Eisenhower.

The Little Stalins Remain

THE slogans published for May Day celebrations show how Warsaw, Prague and Budapest are still lagging behind the revolutionary developments in Moscow and therefore find themselves out of step. In Russia the cult of the omniscient and omnipotent leader has been discarded in a spectacular way since Stalin's death. No one is being built up to stand on the vacant pedestal. Indeed, the pedestal itself has been shaken, with *Pravda* insisting on the superiority of collective over individual leadership. Whenever individual names have been mentioned those of Malenkov, Beria and Molotov are linked together; but usually, as in the slogans, the government and the Central Committee of the Party are described as the ruling organs of the country.

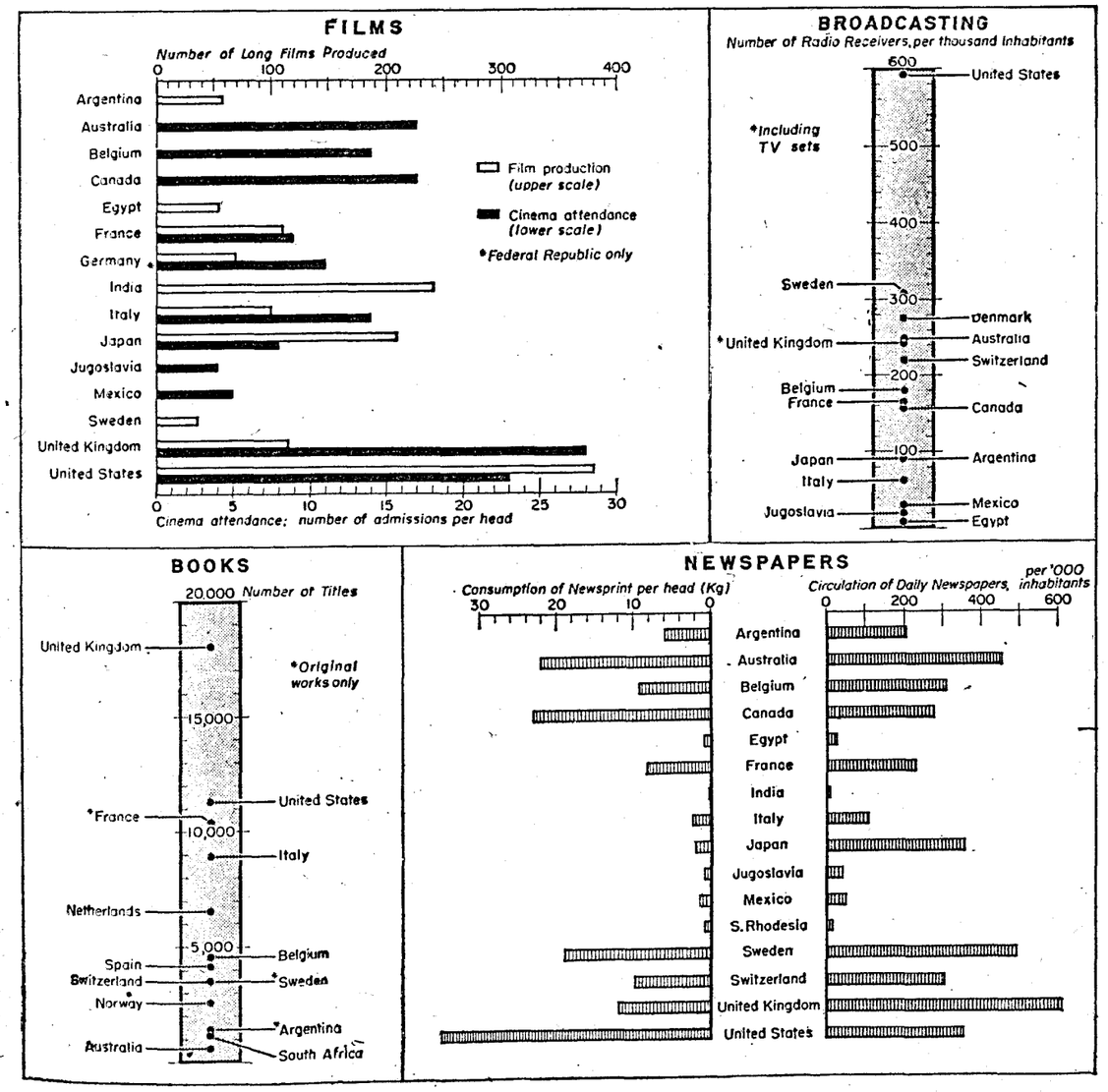
No such change, however, has yet come about in eastern Europe. The Czech slogans still contain a "Long Live Our Beloved Comrade Antonin Zapotocky, President of the Republic," while the Hungarians call on the workers to rally around the "beloved leader of our people, Comrade Rakosi." Poland, however, is still most conspicuously out of tune with references to Bierut not only as the beloved leader, but also as "the Great Builder of People's Poland." Only recently at a meeting of philosophers Bierut was hailed as a great philosopher.

(*Continued on page 294*)

Culture under Survey

ACCORDING to a pamphlet of "Basic Facts and Figures" published by Unesco, the British people go more often to the cinema than other nationalities; they read more (though smaller) newspapers, and have more books published for them. They are not, however, wireless addicts. Not only the United States but also many smaller countries have more radio receivers in proportion to population. The charts below illustrate some of the statistics contained in this pamphlet. (In many instances the figures have, however, been brought more up-to-date; they refer to the latest year available.)

These "cultural" activities obviously reflect, in part, different standards of education. Unesco thinks that at least half of the world's people today still cannot read or write, but there is no up-to-date record country by country. Over a fifth of the Italian population aged ten years or over was declared illiterate in 1931, one-half of the Portuguese in 1940. But the really high rates of illiteracy are found, of course, in Asiatic countries such as India (91 per cent in 1931) and in parts of Africa. By contrast, students enjoying "higher education" number as many as ten out of every thousand of the population in the United States. Britain appears to be undistinguished in this respect, with only two adult learners out of every thousand persons. This figure is surpassed by most European countries and nearly doubled by Russia. There seems to be room for argument about what is higher education by Unesco's recognition.



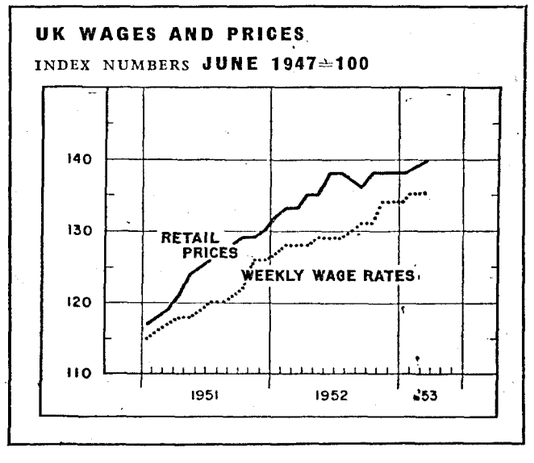
Having just got rid of such idolatrous antics in their own country, the new Soviet leaders cannot view them with a favourable eye within the Soviet sphere of influence. Furthermore, if they have decided that no one of them shall don Stalin's mantle they can hardly tolerate the existence of " Little Stalins " in the neighbouring republics. There is no room for such a build-up of Bierut, Rakosi and Zapotocky as long as collective leadership is the rule. Yet this is only one of the many changes in store for eastern Europe.

Trade with the Communists

ALL reports from Geneva, where east-west trade discussions have just ended, are compounded in equal parts of good will and evasiveness. Mr. Myrdal, executive secretary of the Economic Commission for Europe, has said that the talks have " opened up possibilities for change in the trend in east-west trade relations " and that " certain extremely important trading propositions were put forward." Comment from other representatives is less exuberant and some delegates—the Germans, for example—are downright disappointed because the east Europeans had present no experts who could talk specific prices, quantities and delivery dates. The British reaction is one of cautious optimism.

Certainly the eastern delegates were more amiable than for some time, and they were at least equipped with general lists of available exports. The various rumours that emerged from the meeting agree on three things. The iron curtain countries expressed readiness to import consumer goods from the west—the first occasion that their interest has extended beyond the strategic goods that the West withholds. Furthermore, the Soviet Union showed a marked interest in imports of raw materials from colonial territories, such as coffee, cocoa, and copra. Finally, the Communist bloc is willing to sell some commodities that appear on western strategic lists, such as oil and tungsten.

Whether any of these hints—they are at present nothing more—turn into something tangible only time can show. The preliminary discussions in Geneva will have to be continued, presumably on a bilateral basis, in the various European capitals. The most expected by reasonable observers is that current bilateral trade agreements will be expanded and a few new ones negotiated. It is not expected that anything will come at the moment of ECE's project of a multilateral mechanism for east-west trade comparable with the European Payments Union.



Benefits for Births

THE maternity benefits provided under the national insurance scheme were referred by the Labour Government to the National Insurance Advisory Committee. The Bill introduced by the present Government, which had its second reading this week, is based in the main on the committee's recommendations. Political controversy over the measure could, therefore, hardly be expected, nor did any arise. Unlike housing, unlike education, unlike the health service, unlike the food subsidies, national insurance is the one social service topic that can be guaranteed relatively smooth sailing in the House of Commons.

The present maternity benefits and the proposed changes are shown in the accompanying table:—

	Now	Proposed
Maternity grant.....	£4	
Attendance allowance.....	£1 a week for 4 weeks*	£9
Grant for home confinement	...	£3
Maternity allowance.....	36s. 0d. a week for 13 weeks†	32s. 6d. a week for 18 weeks‡

* Not payable if maternity allowance is being drawn. † Beginning sixth week before expected date of confinement. ‡ Beginning eleven weeks before expected date of confinement.

The maternity allowance is payable to employed women. It was originally intended as a benefit for interruption of employment, comparable with sickness or unemployment benefit, with the implication that a woman returned to work some time after the birth of her child. In fact, the advisory committee found that not more than one-third of the women who receive this benefit return to work later. Nevertheless, the committee thought that the allowance should continue, but at the standard rate of benefit under the national insurance scheme. The Government has accepted this recommendation; but the Bill also provides that to draw the allowance women must have actually paid a specified number of contributions. At present, they can have the contributions credited to them and thus draw the allowance even if they have opted out of the national insurance scheme.

Oddly enough, this provision that contributions should be paid caused some criticism from the Labour benches. Stranger still, much more criticism was roused by the proposal to grant £3 to the mother confined at home. The purpose of this is to remove the financial incentive to mothers to have their babies in hospitals where they get free board and lodging. More beds would thus be released for those who need them on medical grounds. Dr Summerskill, making the speech to be expected from her, declared that the grant would be an incentive to mothers to be confined at home when they should be confined in hospital; what was wanted was a bigger and better hospital maternity service. Non-controversial though the new Bill is, throughout the debate there appeared among Labour speakers this streak of wanting still more social services, whatever the cost.

The Tax on Authors

WHEN the Chancellor in his Budget speech announced a tax concession to his " particular favourite "—authors—he did not describe precisely what he was doing to ease their tax payments. He said that royalties payable during the first two years after publication could in future be spread for tax purposes " in the same way as " lump sums received for the sale of an interest in the copyright. There has been some confusion about what exactly that way is. From the Finance Bill it appears that the concession is in fact smaller than many people had assumed. Taxation may not be spread over the five years, or more, that would be appropriate to some works, scholarly or otherwise. The maximum period is three years.

This is a straightforward application to royalty payments of the provisions of section 471 of the 1952 Income Tax Act. This section concerns the author of " a literary, dramatic, musical or artistic work." If he has been engaged on making the work for more than twelve months but not more than twenty-four months, a lump sum payment for the copyright can be split into two for tax purposes. Half can be treated as being received on the actual date, and the other as having been received twelve months before. If he has been engaged on the work for more than twenty-four months, the payment can be treated in a maximum of three parts—one-third counting for tax on the day received, one-third a year earlier, and one-third two years earlier.

Clause 20 of the Finance Bill simply extends this treatment to all " payments in respect of the copyright in any work " which " become receivable " within two years of its first publication. This will cover the normal case of the author who draws most of his royalties within a year or so, though it will not make any difference to the book that enjoys a delayed blaze of popularity—which must sometimes happen to the early novels of authors who achieve fame after several attempts. These are not, however, the authors with the greatest need of help; for the majority, the right to average two years' royalties over two or three years will mean a substantial and well-deserved reduction in the average rate of tax—always provided that no author is foolish enough to finish a book in less than twelve months.

Bribing the Pilot

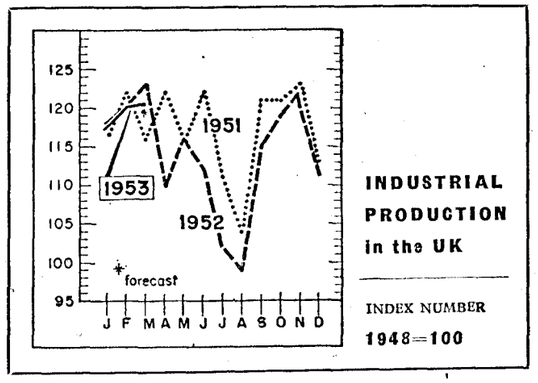
THE right to political asylum is a deeply cherished part of western ideas on individual liberty, and to use it as a weapon of war is to debase it unpardonably. That apparently, is what General Mark Clark has done in Korea by offering political asylum and £35,700 to the first Communist pilot who brings a MIG15 behind the lines held by his troops. It is hard to understand how a United Nations' commander, who has been instructed to stand on principles in the Panmunjom negotiations about prisoners, can do such a thing on his own initiative, and at a time when delicate and difficult negotiations affecting thousands of lives are under way. Perhaps the political control exercised by the United Nations over its generals is still inadequate.

The trick is, of course, an old one but is now called psychological warfare. One may not seriously hope to get a bidder for the prize but one hopes that all Communist pilots will become suspicious of one another, or that their commanders will enforce security measures which become intolerable. That in turn will affect morale. It is an ingenious idea, but General Clark's advisers might have thought one step further. If the offer has this effect of tightening security then it becomes more, not less difficult, for a pilot who wants to desert to do so. Perhaps it is still believed in Korea that the Polish pilot who landed on Bornholm was attracted by money; if so, it should be made clear that he was not.

Will M. Pinay Return?

FRENCH municipal elections by their very nature are intensely local affairs usually fought on personal and regional issues. Those of last Sunday, however, showed both by their outcome and by the extraordinarily high percentage of voters—among the highest ever recorded in a French election—that there were national issues at stake. The results are difficult to interpret because in many communes the complex system of proportional representation will necessitate a second ballot next Sunday. Moreover, political parties were allowed to present joint lists and this has created a fantastic variety of permutations and alliances. Nevertheless, there is no question that the French voter has moved some degrees to the left.

The Gaullists have suffered heavy losses, not only in comparison with their finest hour in 1947, but also in comparison with 1951. In Paris, there are now ten Gaullist municipal councillors, instead of the fifty-two elected in 1947. The right-wing Independents, led by M. Pinay, have scored at their expense and have emerged as the spearhead of the centre parties. The Communists have, on the whole, maintained and even strengthened their position. Although they have lost a number of rural communes, particularly in the south-west, they have gained in the industrial suburbs of Paris, Lyons and certain cities in the North and kept their



grip on parts of Marseilles. Many of France's major cities are, in fact, surrounded by a belt of Red suburbs. The most obvious victors, however, are the Socialists, who turned into a strong electoral asset the mere fact of being in continuous opposition. They have scored important gains in the coal-mining regions, in the Ardennes and in cities such as Lille and Calais. They have also improved their position in working-class communities throughout the central regions of France.

M. Mayer and his coalition government will draw a number of rather disturbing conclusions from these results. The Socialists owe their success to their opposition tactics, and it is most unlikely that they will switch over to support the government when the treaty for a European Defence Community finally comes up for ratification. The Gaullists, on the other hand, have been so severely beaten that their future course is unpredictable. Some of them feel they would have done better if they had given no support whatever to M. Mayer ; whereas others may decide to break away from a losing side and to join the already existing dissident group. M. Mayer must also be clearly aware of the fact that these municipal elections, despite a general tendency towards the left, have been a personal triumph for M. Pinay and that the latter's return to power is on the cards. All depends now on whether M. Mayer can weather the financial crisis which looms when the Assembly reconvenes on May 12th.

Showdown at Luxembourg

THE showdown between M. Monnet and the steel masters in the new Coal-Steel Community has come sooner than many people expected. The opening of the common market in steel is scheduled for May 1st and the High Authority's intention is that inside the six-power community the price of steel should find its own competitive level. The steel producers, however, have other views.

After getting together some weeks ago to fix export prices, some of the producers have now reached an informal agreement about internal prices ; the Belgians, it seems, have promised to raise their steel prices to the higher German level. On the question of export prices the provisions of the treaty are hazy, but where internal prices are concerned it is unequivocal: it gives the High Authority complete power to prevent all rigging and boosting of prices by private agreement in the Community market. M. Monnet has publicly castigated the offenders, though not by name. He has also stated that if there is to be any price fixing, it will be done by the High Authority and not by the producers themselves. The Authority does not think that market conditions warrant the fixing of prices, but if on May 1st steel prices start moving upwards, it will assume that a private cartel agreement is at work. In that event the Authority itself would be compelled to fix prices and these, M. Monnet implied, would be lower than those agreed on by the Belgian-German price ring.

With M. Monnet this issue raises first principles. Although his policy has been to move with the utmost care and to avoid inflicting any hardships on the coal and steel industries, the one thing he cannot afford to tolerate is that producers should *de facto* take over the functions of the High Authority and exercise these in the interests of a private cartel. The Treaty contains all the necessary powers for succouring any producer hit by the transition to a common market. He would undoubtedly invoke these powers if the need arose. In addition to this tussle over cartels the High Authority has another battle on its hands—the complicated question of taxation, which is discussed in detail on page 312.

Neither Milk nor Honey

In the article in last week's issue under this title, several of the figures appeared in a form that readers have found confusing. The difficulty arises from the close typographical similarity between £I, which is the symbol for the Israeli pound, and £1, which means one pound. The correct figures, all in Israeli pounds, are as follows:—

Trade deficit in the last four years	£I 400
Addition to import bill for each 100,000 immigrants	£I 10 million
Compulsory loan voted by Knesset	£I 45 million
Defence expenditure ...	To be reduced from £I 45 million to about £I 42 million

Financial Football

Nothing could be more disgraceful to a great nation, nor injurious to its best interests, than to permit its financial condition to be exposed to the serious uncertainty which has prevailed in this country, at least since the expiry of the Income Tax Act in 1851. Since then more than *five millions* of the necessary income of the country has been subject to an annual vote. The means of discharging our national obligations and providing for the public services is rapidly being converted into the mere battleground of party conflict. It must be obvious to every man, who, apart from political strife, looks calmly upon this subject, that the present state of our financial affairs can no longer continue without inflicting a serious blow at our national credit, and our character as a prudent and business-like people, who, whatever may be our political differences, have hitherto continued to keep, at least, the national finances unimpaired by such struggles. What are we to expect, if year after year our whole fiscal system is to be reopened—if a Budget is to be converted into a mere foot-ball, to be kicked about in a political game—if concessions are to be demanded, not on their own merits, but as the condition of party support, and to be conceded, not as a matter of justice or of high policy, but as bribes for the votes of small but unscrupulous factions ? . . . The great advantage of Mr Gladstone's Budget is, that it will settle for a period of seven years all these unseemly and damaging disputes. Come what may in our political struggles in the meantime, at least we shall know that there is a fortress erected around our finances which will preserve them from party passions, and secure our national resources and credit under the solemn obligations of measures deliberately adopted by Parliament. The apparently irreconcilable differences of opinion which exist on the subject of the income tax are solved, by a provision for its entire extinction in 1860.

The Economist

April 30, 1853



May

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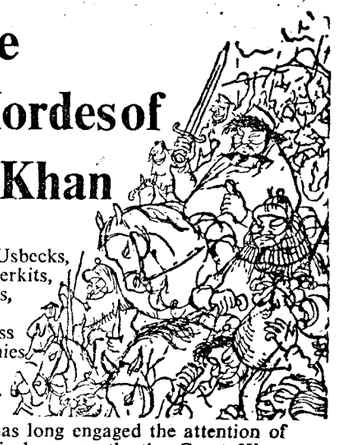
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The Hungry Hordes of Ghengis Khan



A quarter of a million Usbecks, Kalmucks, Kirghizes, Merkits, Keraits, Naimans, Juriats, Uighurs and Chinese Engineers careering across Asia on twelve-hand ponies — such was the Golden Horde of Ghengis Khan.

A problem that has long engaged the attention of military strategists is how exactly the Great Khan managed to feed his hungry hordes of Usbecks, Kalmucks, etc., etc. His commissaries would have found things a great deal easier if they had been able to use Falkirk Heavy Duty Cooking Equipment.

The Great Khan would have been the first to welcome a complete and balanced range of equipment with no weak links in the standard of its component parts.

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A hard bargainer, as is shown by his negotiations with the Kin emperor in 1214, the Great Khan would have been most pleasantly surprised at the Falkirk Iron Company's extremely low initial quotation.

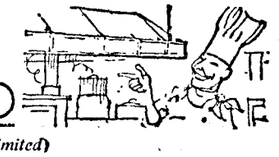
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Letters to the Editor

Lancashire Aggrieved

SIR—As a cotton manufacturer, I am sure the textile trade would not wish to show ingratitude for the concessions in total tax burden received last year, on the strength of which you say in your Business Note last week that we "did well" in 1952. But although concessions were made, they were applied within the framework of the "D" scheme as then introduced for the first time, and it is the peculiarly vicious effects of this scheme from which the industry is now suffering.

The viciousness lies in the fact that not only is the amount of tax per yard increased as price and quality increases, but the effective rate of tax also increases. Your own graph showed that the rate of tax rises from nothing on wholesale prices at and below the "D" line up to 43⅓ per cent on the top wholesale price shown. It is quite wrong therefore to say that textiles' plight is "common to all goods assessed for tax on the basis of their value." In all cases other than those coming under "D" schemes the rate of tax is constant on all goods of a kind whatever their value, and there is therefore no automatic urge to produce down to a price so as to come below the tax level, or to qualify for a lower rate of tax. Further, the retailer's rate of mark-up allowed in your calculations would appear to range between 19 per cent and 22 per cent on wholesale price plus purchase tax. This is a much lower figure than the 30-40 per cent or more on which a retailer would in fact normally work; the discrepancy due to the increasing rate of purchase tax is therefore magnified in the final selling price.

It may be correct to say that with the abolition of the Utility scheme the consumer is less conscious of the amount of tax included in the final price, but in judging true "value for money" she will inevitably choose those goods that contain a less proportion of tax in their final price, and hence, under the "D" scheme, her choice and that of the retail stockist is artificially, but inevitably, driven towards lower quality. It is quite contrary to the experience of my own firm, and of the great majority in the trade, that the retailers themselves "pay little attention to the relatively small sums involved in all but a few lines." Apart from the general urge just mentioned to offer the best value for money, the retail trade is still faced with the grave problem of tax-paid stocks. For both these reasons its buying policy is today dominated by the attempt to reduce to the absolute minimum the stocking of goods bearing purchase tax of however small an amount.

"Trading-up" may well have taken place in qualities below the "D" line insofar as lower raw material prices may have allowed better qualities to be produced at that level. There is, however, no doubt at all that, directly as a result of the incidence of Purchase Tax, a decreasing proportion of high quality goods in general is being produced, at a time when their continued production, and indeed expansion, is imperative to retain our export markets. The textile trade wants to continue the vital contribution to the country's exports of which it knows it is capable, but it cannot do so effectively as long as its home market is distorted by the "D" Scheme. It will continue to clamour until these distortions are eradicated, and it will press for action to be taken urgently before both productive capacity and skill at home, and trading goodwill abroad, disappear beyond recall.—Your faithfully,

Carlisle J. W. F. MORTON

Policy for Africa

SIR—I feel that you have approached the problem of the multiracial territories with undue circumspection. You say, rightly, that the aim of the Colonial Office in these territories is equality of political rights for educated men of all races. But this is only half the story; for the Colonial Office is at the same time pursuing in Central Africa the directly contrary policy of transferring political power to the white settlers—of whom probably the majority oppose ultimate political equality for all races—while at least 90 per cent of the Africans concerned are still incapable of taking any responsible part in government. Attempts to surmount this obvious contradiction by providing "safeguards" for African interests in the new federation can at best prevent the Africans' present status from deteriorating; they cannot promote political progress. The history of Southern Rhodesia since it gained internal self-government in 1923 shows that provisions for United Kingdom supervision of native affairs can become virtually a dead letter when financial control lies with the local legislature.

There was much to be said for partitioning Central Africa into one European and two African states with the hope of ultimate federation based on inter-racial co-operation between equals; but unfortunately the opportunity for a solution along these lines has already passed. A less radical alternative is that a series of remedial measures should be put into operation, in Kenya as well as Northern Rhodesia and Nyasaland, at the same time as Central African Federation; and that they should carry the clear implication that in this new phase the United Kingdom Government was beginning as it meant to go on. Such measures should include the provision of a special grant by the United Kingdom for African education, in health and agricultural methods as well as the three Rs; the encouragement of colonial officials to take a positive lead in lifting social restrictions at present operating against educated Africans; the increase of the native reserves in Kenya, if necessary at the expense of some of the European reserved land still lying idle; the progressive lifting of the colour bar on skilled jobs in the Northern Rhodesian copper mines and the reduction of the disparity in wages between Africans and Europeans doing the same work. Such action would involve Britain in financial sacrifice and in opposition from most white settlers, but this would be a small price to pay to help clear our national conscience and avoid the spread of Malanist and Mau Mau methods throughout the multiracial dependencies.—Yours faithfully,

Godalming, Surrey FRANCES BOYD

Power for Industry

SIR—Your doubts concerning the wisdom of some Area Boards of the British Electricity Authority appearing to discriminate in favour of the consumer with a low load factor seem to be well founded.

The official argument to justify this practice is that, as load factors decrease, diversity increases. As a result, the user with the low load factor tends to contribute less to the system peak.

Domestic cookers might be taken as a typical demand with a low load factor. If it is assumed that the average domestic cooker is on for six hours daily, its load factor is then 25 per cent. According to the official argument, out of 10,000 cookers, some 2,500 might be expected to be operating at any hour of the day or night, including the time of system peak. Since people tend to eat meals at roughly similar times of the day, however, the number of cookers switched on at 11.30 a.m. or 5.30 p.m. is more likely to be in the order of 7,500.

During these times, the *hourly* load factor is high, and consequently the diversity is low, even though the *daily* load factor may be quite low. If the hourly load factor of a given type of demand should happen to rise at a time close to the system peak, then the argument which presupposes a great deal of diversity breaks down. The official argument therefore appears to be open to some criticism, unless it is based upon hourly load factors overlapping the time of system peak. It is doubtful whether this is the case.—Yours faithfully,

L. T. HIGGINS

Toronto, Canada

Books & Publications

Financing War Production

CONTRACTS AND FINANCE
The History of the Second World War: United Kingdom Civil Series.
By William Ashworth.
H.M. Stationery Office and Longmans. 309 pages. 22s. 6d.

THE role of finance in wartime, *The Economist* observed in 1941, is to ensure that nothing is decided on financial grounds alone. Mr Ashworth's study tells the story of how—and how far—that precept was put into practice in the important sphere of production and "procurement" of war supplies. It tells it fairly and realistically. Indeed, to those with first-hand recollections of these functions, the realism may seem its most striking characteristic; even granted that the historians in this civil series have the assistance of permanent officials and secure free access to official documents, it is remarkable how this study has recaptured the considerations and difficulties—and even many of the nuances—of the moment.

This realism owes a little, perhaps, to Mr Ashworth's use of the contemporary official jargon, and much to the departmental tradition of thinking on paper. Hence the story is at its best where that tradition suffered least from the pressure of war. The papers of (and for) the Contracts Co-ordinating Committee and the Committee of Public Accounts obviously furnished a rich vein, and Mr Ashworth has exploited it with discrimination. His account of the bewilderingly divergent methods of price-determination for Government contracts, of the effort to secure some uniformity in principles and basic objectives, and of the related thorny questions of price (or profit) control on sub-contracts and on "bought-out" supplies, is excellently done. Almost the same standard is reached, too, in the similarly well-documented field of capital assistance to contractors, and in part of the chapter on problems of working capital—which reveals for the first time full details of "Scheme C," the arrangements agreed between the Treasury, the Supply departments and the banks. The account of price-fixing methods and policy for raw materials, however, where the underlying vein was erratic and relatively thin, is less convincing; but it does include a useful summary of the incredibly intricate arrangements adopted for price-fixing in the steel industry—and one that is sufficiently clear to disclose the weaknesses to any thoughtful reader.

Mr Ashworth has obviously striven hard for objectivity; and this effort has been assisted by his own awareness of the trap that awaits any historian who fastens too enthusiastically on the best documented parts of his study. His method of exposition, a natural one, is to indicate the problems and difficulties and then consider how they were tackled. He perceives, as is certainly the fact, that this gives "an impression of greater ease and smoothness of adjustment than actually existed." But, while he is alive to this, it is not so clear that he fully realises how the inevitable preponderance of departmental evidence over other evidence—of departmental replies to criticisms, of departmental explanations of how difficulties were overcome—was almost bound to tilt the scales at least a shade in the departments' favour. There are profits at which this influence, combining with his own commendable habit of restraint, leads him into under-statement that will raise many a wry smile—as where he remarks that "policy did not always develop in a completely orderly and predictable manner." In face of that, it is almost an equal under-statement here to advise Mr Ashworth's readers to look sometimes between the lines.

On the broadest question of all, the role of finance as such, this study has both real merit and real weakness. It tells excellently how financial control was relaxed to meet the needs of wartime urgency; how, indeed, it was too much relaxed in the first frenzy after Dunkirk and had later to be revived in altered shape as a means of checking waste; how the principles changed so that financial control often appeared to be exercised by *reference to non-financial criteria*; and how the centralisation that financial control provided became an important instrument of co-ordination of production processes and purchases that would otherwise have been at variance, with resultant waste or delay. Except that Mr Ashworth perhaps gives insufficient weight to this last contribution, his account of these well-documented matters is impeccable.

But what was not documented, and does not get its due place in this study, is the continuing contribution that was made at all levels by the function of independent financial criticism. Mr Ashworth seemingly underrates the worth of this technique at its best; he does not dispel, and may even foster, the widespread illusion that efficiency in financial terms differs from efficiency in "real" terms; and he is trapped into assuming that the drawing together of the functions of finance and production in some departments was always an unqualified gain. These are blemishes in Mr Ashworth's study that must be noted for the record; but mostly they are flaws in emphasis at particular points. The work as a whole is admirable.

Meminisse Juvat

RECOLLECTIONS OF THE CAMBRIDGE UNION, 1815-1939.
By Percy Cradock, with contributions by ten others.
Bowes and Bowes. 192 pages. 12s. 6d.

THIS is really two books in one. The first half is a long essay by Mr Percy Cradock (President, Lent Term, 1950) on the Cambridge Union in the nineteenth century. The lustre of two or three quite exceptional names has given the Oxford Union such fame that it will come to most people as a surprise to learn that the Cambridge Society is by several years the older and, presumably, the model for its sister. It was founded in 1815 and the book contains in an appendix the names of the officers for each term from then to the present day, interrupted only by the two world wars. The list contains no Prime Minister (as yet), but it does nevertheless include an astonishing number of great names: Whewell, Macaulay, Bulwer Lytton, Praed, Thackeray—in the earlier years Cambridge seemed to run to literature as Oxford to politics. It is no easy task to pass in rapid review so many names and to deal with such small slices of so many careers. Mr Cradock has performed his task admirably. Indeed, his essay is well worth reading, even for those who have no interest in the Union, for its graceful picture of life in the old Cambridge—of that section of its life that falls between the strictly academic and the purely social, that is educated without being pedantic, high-spirited but not wholly frivolous. Mr Cradock, in a sense, was writing about his ancestors; clearly he is worthy of them.

The second half of the book consists of contributions from ten ex-Presidents of the twentieth century whose recollections between them cover the forty years up to the outbreak of the second war. These latter-day names, too, are impressive enough for any dust-jacket, including as they do the former editor of the *Spectator,* the President of the International Court of Justice, a Lord Justice of Appeal, the Chancellor of the Exchequer and the Bishop of Durham. The story shows that not all who are brilliant in their youth become eminent in their maturity; but no one can read it without reflecting how astonishingly early able men stand out among their fellows, how much there must be in native qualities and early environment, how little in experience.

Unlike Mr Cradock's essay, these ten are simple reminiscence, and they naturally vary in length, in style, in quality—and, it must be added, in modesty. Everybody tends to be sentimental about his youthful triumphs (the sweetest that life brings). Everybody, in doing so, also feels the temptation to stretch the truth—but these eminent men have their style cramped by being in the unusual position of having this portion of their early lives fully documented. The result is that, while they all clearly still think it was tremendous fun, the casual reader may be left wondering just why. The appeal of this second part of the book is therefore likely to be greatest for those (there are many) who are named in it and can themselves remember, with a warming of the heart, those great nights long ago, how sweet some of them were, how bitter others, and how terribly much at the time it all mattered.

Destroying the Jews

THE FINAL SOLUTION: *The attempt to exterminate the Jews of Europe,* 1939-1945.
By Gerald Reitlinger.
Vallentine Mitchell. 630 pages. 30s.

THIS is a compilation of the vast amount of hitherto unco-ordinated material dealing with Hitler's attempt to bring about the "final solution," in other words to destroy the Jewish race. It describes the coy technique that veiled the most dastardly crimes in history with academic phrases of this kind. It apportions the approximate responsibility between Hitler himself, Himmler, Heydrich, Eichmann and the rest, supplying probably the best study of the co-operation between Himmler and Heydrich which has appeared in English. Mr Reitlinger considers that "Generally speaking, Himmler knew what went on but without understanding the causes" for the causes were Heydrich's special department. Mr Reitlinger's book makes one blush once again for the impunity with which their accomplice, Karl Wolff, escaped all disagreeable consequences, only, apparently, because he negotiated the surrender of the German forces in Italy with the Allied representatives in Switzerland.

Mr Reitlinger knows and understands the essential differences between the German and western Jews and those of the east. About the latter he quotes M. Guérin's illuminating words:

> It did not occur to the Jews to take to the woods, to disappear forever from the towns where there was so much danger. It was not lack of courage on their part so much as racial fatalism forcing them to crowd into the ancestral ghettoes in virtue of an ancient gregarious instinct.

On the other hand Mr Reitlinger's account of the rebellion of the Warsaw ghetto, which "has become a Jewish epic in its own right," is somehow not so moving as one might expect.

Mr Reitlinger follows Dr Kogon in discovering the seed of long-run failure in the Nazi system itself, because anything so wicked was inevitably corrupt. Plans to sterilize half-Jews became a farce—"The stamped cards, that freed the owners from wearing the Jewish badge, had for the most part been sold them by Gestapo agents." Mr Reitlinger's chronology is particularly helpful in this shapeless but shattering story, and his list of sources is useful. This, however, is one of the many books now being published in which the notes are placed at the end instead of at the bottom of the page concerned. This practice may have advantages, but it may also prevent those who are anxious to use the notes from doing so by the bother of finding the place.

Domesday Book for Australia

THE STRUCTURE AND CAPACITY OF AUSTRALIAN MANUFACTURING INDUSTRIES.
Division of Industrial Development, Department of National Development, Commonwealth of Australia.
Distributed by *Angus and Robertson.* 528 pages. £3.

THIS comprehensive and detailed survey of Australian secondary industries was originally undertaken by the Government as a departmental inquiry into the gaps in Australia's manufacturing capacity. Besides providing detailed technical and production information on every kind of Australian-made article, it gives, significantly, imports of comparable foreign ware and frequently indicates where scope appears to exist for the replacement of imports. The criteria are, however, primarily technical; it is stated when a market exists large enough to absorb a plant's output, but not whether such output could compete in cost with imports. This, however, will depend in many if not most cases on the protection given by the Tariff Board or obtainable from it; and the British, American, or other overseas manufacturer, who contemplates setting up a branch behind the Australian tariff, will find in this volume most of the critical information he wants, not only on size of markets but also supply of components, accessories, power and materials.

The survey covers the output of some 43,000 factories in 200 major industries and in itself constitutes a valuable market survey of Australian industrial activity and requirements. It records the astonishingly rapid, if at times lopsided, development of the Australian economy. Summary tables at the end of the volume perhaps inevitably provoke the speculations of the economist, showing, as they do, the way in which Australian manufacturing capacity expands at a far greater rate than basic production. Manufacturing now employs 917,000 persons compared with 563,000 in 1938-39. In ten years the value of manufacturing output has tripled. At the same time, import replacement is by no means diminishing Australia's dependence on overseas producers. Between 1938-39 and 1951-52, for example, the value of its imports of metal manufactures and machinery increased more than tenfold. In 1938-39 its exports of machinery and manufactures were nearly a third of the value of its imports in this class; in 1951-52, they were only a little over one-sixth of the value of imports.

Although this survey may not be entirely a monument to economic wisdom, it most certainly is a monument to Australian ingenuity, skill and commercial enterprise in the processing of all locally produced materials, and in the development of a heavy industry which in efficiency is second to none in the Commonwealth. It is a domesday book of which the Australian business man can be proud, and the British business man can keep on his shelf of reference books with interest—if not always with profit.

Guide to Libel

THE LAW OF LIBEL AND SLANDER.
By Oswald S. Hickson and P. F. Carter-Ruck.
Faber. 244 pages, Statutes and Index. 30s.

THE late Mr Oswald Hickson was a solicitor with great practical experience in the law of defamation; he acted for Lloyd's underwriters issuing many of the policies that cover periodical proprietors, and he was later a member of the Porter Committee itself. This book was begun in his lifetime and has since been completed (to include the changes made by the Defamation Act, 1952) by Mr Carter-Ruck. It is described as not a textbook but a guide to those whose concern or interest it is to know something about this subject. It is a good guide, but in two respects it might have been better.

One defect is perhaps inherent in the authorship. It must be very difficult for a lawyer to write a book on a complicated branch of the law and to escape the atmosphere of a textbook, for the lawyer is interested in the law as it was not only as it is. The layman for whom this book is intended is less likely to be. He may well find it hard enough to grasp the law as it is and he may be confused rather than helped by references to repealed statutes and changed common law. The book would be improved by some excisions. The second defect is perhaps inherent in the date of publication. The Act of last year made many important changes whose effect may not be completely clear until the courts have ruled exactly what the words of the Act mean. The surviving author has been compelled to graft the 1952 Act on to existing stock (and some of the grafts are still a little rough) at a time when the Act has not, to mix the metaphor, been run in by use. He leaves the impression that he is, mentally, looking forward to the law as it will be after the 1952 Act, not of surveying it afresh after the Act. One further small point—it would have been more helpful to have printed the statutes concerning defamation as they stand today, with the cumulative effect of all the revisions incorporated.

But the book remains, in intention and largely in performance, a practical guide. The law of defamation cannot be understood without the illumination given by the decided cases and these are there. The chapter on the liabilities of booksellers and distributors, for example, is admirable.

American Survey

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

Looking Eastward

Washington, D.C.

IF proof were needed that the American public as a whole is often wiser than the political representatives that it elects, this was provided in ample measure last week. As the first sick and wounded United Nations prisoners crossed the line at Panmunjom, the correspondents assembled there began to cable stories of atrocities, brutal treatment by Chinese guards, and death marches like those which ten years ago raised American blood to the boiling point in the war against Japan. Within a day Senator Styles Bridges—perhaps seeing an issue on which he might with luck get greater headlines than his colleague Senator McCarthy—began to demand various and vague retributive measures, though his connection, as the Chairman of the Senate Appropriations Committee, with the subject of war crimes is not easy to detect.

At the end of the week Senator Byrd released correspondence with General MacArthur, whom he was seeking to involve in the long and tedious debate on ammunition supplies. In these letters the General, scenting perhaps a favourable wind for his ideas, advocated warning China and Russia of the ability which the United States possesses (in his opinion) to destroy China's industrial base and cut her communications with Russia. Such a warning, he considered, would hasten a Korean settlement. Senator Bridges followed this up by announcing his own "standby" programme of increasing military pressure in order to force China to conclude a truce.

There have been times when such ideas could have brightened the clouded reputations of both the Senator and the General, but public opinion has not taken fire either at the atrocities or at the attractive suggestions of making peace by threatening war. If any generalisation is valid about the state of American opinion it is that greater anxiety probably exists today for a successful and pacific outcome of the Korean armistice negotiations than at any time since they began.

This does not mean that there has been any great advance in clarifying public opinion on the complicated and thorny issues which surround Far Eastern policy. In a sense, the new Administration inadvertently contributed to the confusion when President Eisenhower and Mr Dulles, on taking office, developed the doctrine of treating all forms of aggression and resistance to aggression in Asia as a common front. This was intended to have the laudable purpose of showing Russia and China that the United States stood as firmly behind France in Indo-China and Britain in Malaya as it did behind the United Nations action in Korea. But the effect of the doctrine on American opinion has been to create a belief that a settlement in Korea can be made into a settlement of all causes of tension in the Far East. When Senator Taft said ten days ago that every effort "should be made to settle all the questions of the Far East in one bite" he was voicing the views of a number of other Senators. He was probably also expressing the ordinary American's reaction to the reopening of the armistice negotiations in the light of the Soviet's novel mildness and the new Administration's policy.

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Mr Dulles's explanation the following day that the armistice involved a purely military settlement and that this must precede the holding of a political conference on the future of Korea was a plain statement of fact. Even if the Administration wished to, it could not at this stage unpick an arrangement that had been so laboriously worked out with the Communists and with the Allies. But the fact that Senator Taft and his fellow Senators should even consider a "one bite" solution desirable shows how greatly the American attitude on the Eastern question has changed. Eighteen months ago, when the truce negotiations first started, there was fear in Washington lest the Chinese Communists use the bait of a truce in Korea to extract concessions on trade, on admission to the United Nations, on Formosa, or on diplomatic recognition. Great care was taken to separate the question of a military truce from that of a political settlement, and the negotiations have been conducted on that basis ever since. The change that has come about in the minds of the Senators is (as Mr Joseph Harsch, the correspondent of the *Christian Science Monitor*, points out) the acceptance, consciously or unconsciously, of Communist China as a state which must be negotiated with and no longer as a distasteful revolutionary movement which might perhaps be exorcised by world disapproval or the withholding of political negotiations.

But despite the Administration's decision to adhere to the distinction between a military and a political settlement the consolidation of Communist China as a power has led to a shift in aim. The Truman Administration envisaged the process of settlement as taking place in three stages: the conclusion of an armistice in Korea which would have to be as watertight as possible, since it might be the only settlement achieved for many years; a political conference to settle the future of Korea; and eventually a further political conference to discuss all other causes of tension in the Far East. What the new Administration would prefer

to see would be a dovetailing of stages two and three, so that bargaining counters which the United States and the West possess outside Korea, such as the trade embargo and Formosa, could be used to improve the United Nations position in demanding a unified and free Korea.

There is no very great optimism in Washington about an early conclusion of the negotiations for a military armistice. The indications of the brutal treatment of the United Nations prisoners are not considered by the State Department to introduce a new factor, since such brutality was well established before the sick and wounded were returned. There is something akin to a conspiracy of silence to stifle Senator Bridges and to avoid making the treatment of prisoners an issue. But the evidence of the Communist failure to return all the sick and wounded in their care is taken very seriously by the State Department, for it raises the question of whether the Chinese Communists will observe any armistice agreement in good faith.

But if the armistice is finally settled and gives way to a general conference on Far Eastern questions, another "great debate" in American opinion is presumably to be expected, which will make the last one look like a nursery squabble. There is no agreement in America about what concessions the United States should be prepared to make to reach a permanent settlement with China, and very little effort has been made to guide opinion. Although the Republican Administration has probably, in its heart of hearts, decided that it must live with Communist Peking, since it cannot ignore or subvert it, it is doubtful if the Republican party has come anywhere near such a decision.

When it does, what concessions is the United States actually willing to make in return for a United Korea and the calling off of Ho Chi Minh in Indo-China? Mr Dulles's tentative idea of putting Formosa under United Nations trusteeship was throttled at birth, and a lifting of the embargo on the shipment of materials means reversing one of the new Administration's first "positive" policies. Indeed, any whispers of possible political compromises or manœuvres bring forth cries of "appeasement" from the dominant section of the Republican party. There is not even any generally agreed view on the strength and objectives of the Peking government, and divisions of opinion run through the State Department and the Pentagon as strongly as through Congress. The present intense speculation on the battle for power in Moscow obscures the fact that a similar battle is going on in Washington and must be resolved before the new Administration can reach a decision on the long-term policy it intends to pursue towards China.

Democracy's Hollow Core

FROM A CORRESPONDENT IN WASHINGTON, D.C.

WHEN President Eisenhower appeared for the first time before Congress it was perhaps a trifle incongruous to hear, wedged in between the de-neutralisation of Formosa and other high matters of state, that he intended to appoint two additional commissioners for the District of Columbia. But, far from being of only trifling importance, the President's desire to increase the district commissioners from three to five was a tentative attempt to grapple with a striking and singular anomaly—that the city which regards itself as the heart of the democratic world, in which the struggle for freedom is inspired and planned, is one of the very few places on either side of the Iron Curtain which lacks, both in theory and in fact, any semblance of democratic choice of its rulers or control over them. Except for the fortunate few, mostly government employees who maintain voting rights in their home states, the inhabitants of the District of Columbia are completely disfranchised. They can neither vote for the great officers of state, the President and the Vice-President, nor for members of Congress nor even for their local administrators. The capital city is, in short, a not so tiny enclave (70 square miles) of authoritarianism in the great continent of democracy.

The peculiarly undemocratic system of government under which the District suffers dates back to the founding fathers who, understandably enough, were determined that the seat of the federal government should not be in any way dependent on local or state authorities. Accordingly, in the Constitution, Congress was given "the sole power to exercise exclusive legislation in all cases whatsoever over such district as might become the seat of government." As the Constitution granted only to states the right of electing Senators, Representatives and presidential electors, who in turn elect the President and Vice-President—and the founding fathers precluded the District from ever becoming a state—it was clear that they never intended the inhabitants of the ten square miles they originally chose for the capital to play a very marked part in the democratic processes of the Union.

When, in 1788 and 1789, Maryland and Virginia ceded sections of marshland lying on either side of the Potomac river to the federal government on which to build the capital, the population was largely animal and the few federal employees who came to live there could maintain their voting rights in their states of origin. But now, with a population of almost 900,000, which exceeds that of thirteen fully fledged states, the problem is no longer academic. Both parties always include, in their electoral programmes, some good intentions about rectifying the position, but as the campaign gets under way the question recedes into the background. The candidates are, after all, out to get votes and a disfranchised community is at a disadvantage in such matters. And after the election is over Washingtonians are so excited at the prospect of the inaugural parade that they forget that, although privileged to cheer and live with the incoming President, they were allowed no hand in electing him.

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Instead of the present arrangement, under which the capital's affairs are controlled by two Congressional committees, working through three district commissioners appointed by the President, some reformers demand a democratically elected municipal council and an elected or appointed mayor. A form of local government existed from 1800, when the federal government moved to Washington, to 1874, when the system of commissioners came into being, but throughout most of this period the District was hopelessly administered, corruption was rife and the capital, without a paved street until 1871, was a disgrace to the country. So Congress, disillusioned by mayoral corruption and alarmed by the municipal debt, resumed direct control itself.

Within the very narrow limits allowed them the commissioners have done a good job. But they are bound hand and foot by their masters in Congress, the Senate and House District Committees, which exercise day-to-day jurisdiction over district affairs. Still worse, the members of these committees are more interested in earning the good will of their constituents back home than in deserving well of the politically valueless District of Columbia. The present chairman of the Senate District Committee comes from South Dakota, some 900 miles away, which is like having a Roman politician administer the London County Council. If he spends too much time working on District affairs he is immediately criticised in South Dakota for not attending to his constituents' business. Moreover, the commissioners are faced with the difficulty of having to have Acts of Congress passed—a laborious and lengthy process—for even the trivia of local administration. It is, for example, forbidden *by Act of Congress* to fly a kite in the streets of Washington.

But the main problem of the commissioners is money. Since half of the taxable land in the District is federally-owned and therefore tax-free, the revenue from this source is only half of what it would otherwise be. In addition, the capital is relatively bereft of business and commerce, which denies it another major source of income. The needs for expenditure, on the other hand, are greatly increased by having to keep up appearances. For example, it is estimated that the new district court, a massive and imposing building just completed, cost about four times more than would be normal for another city of the same population.

In view of the absence of revenue and the burden of prestige spending, it was originally laid down that the federal government should finance 50 per cent of the District's outlay, but this year Congress fixed the figure at 8 per cent, the lowest figure so far. This is a woefully inadequate sum and means that drainage and prisons are sacrificed to the fine avenues and imposing federal buildings by which the casual visitor judges the nation's capital.

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Home rule, the remedy which had the backing of President Truman, passed the Senate in the last Congress only to be blocked by the House. It is again before the present Congress, but runs into stubborn southern opposition. About one-third of the District's population is coloured—the proportion has increased enormously in recent years—and southern Congressmen refuse to tolerate the possibility of a black mayor in the nation's capital, or a city council dominated by Negro members who might try to pass laws against segregation which it would be embarrassing to Congress to have to vote down.

It is precisely to overcome this Congressional obstruction that a second home rule group argues that the first agitation should be for the right to vote for the President and Vice-President. Then Congress could no longer afford to turn a deaf ear to the District's plea. But for the District to get such a franchise would need an amendment of the Constitution, which itself requires a two-thirds majority of the House and of the Senate and approval by two-thirds of the states. Recognising this as the first step to home rule, the southerners have in the past obstructed such a change and show every sign of continuing to do so.

So one is brought back to the proposal put forward by President Eisenhower, to increase the three district commissioners to five. The idea is that one new commissioner would be a Negro and one a woman, which, if it did not begin to solve the problem of democratic government, would at least give two additional groups in the District some say in local administration. The reformers, of course, reject the proposal as simply scratching at the surface of the problem. But it has one cardinal advantage—that it has a good chance of being acceptable to Congress. After a century and a half of talk one reform, however slight, on the statute book would be something of a red-letter-day for the citizens of the District of Columbia.

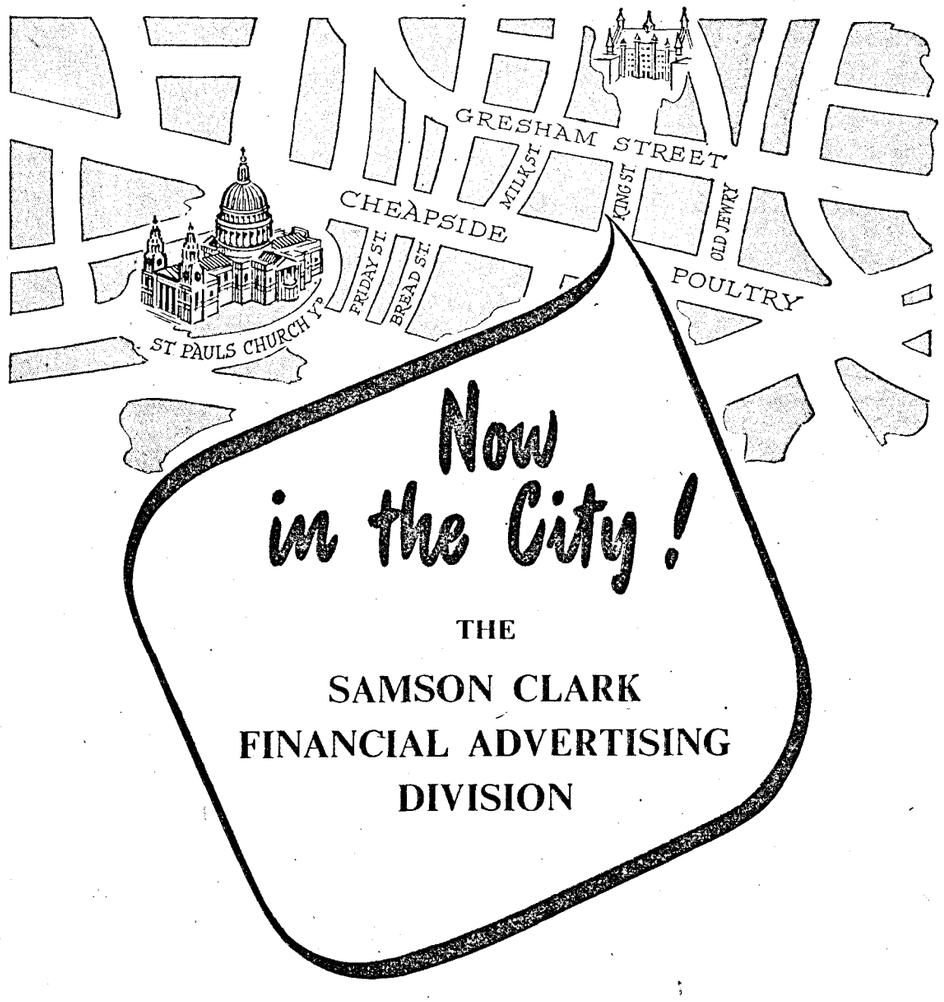
American Notes

Shadow Chiefs-of-Staff

For some time Senator Taft has been urging that a broad survey of United States military policy should be undertaken and that the basic strategic concepts as well as the actual armament programme should be thoroughly reviewed, if not before this year's appropriations for defence and foreign aid are considered, at least before the Administration presents its requests for the 1955 fiscal year next January. It certainly seems unlikely that Congress's appetite for economy will be satisfied with anything less, especially since personal rivalries and military inefficiencies have been brought into the open by the inquiry into the ammunition shortage in Korea. Mr Kyes, the respected new Deputy Secretary of Defence, agreed this week that a complete review of the present position was needed, but he seems to have been thinking mainly in industrial and administrative terms. However, Mr Taft, who is convinced that greater sea and air power would permit the withdrawal of American land troops from Europe on a large scale, undoubtedly intends to bring up this old controversy once again.

It is a controversy in which he has been opposed by the present Joint Chiefs-of-Staff, which may explain his lack of confidence in them and his feeling that they have been guilty of political partisanship. The terms of office of three of the four expire in August, and General Bradley, the chairman, cannot be reappointed. It is now being proposed, by Senator Taft and other prominent Republicans in Congress, that their successors should be nominated, and confirmed by the Senate, immediately and that in the intervening three months this shadow group should bring fresh minds to the survey of the whole question of national security which Mr Taft desires. The President is thought to be sympathetic to the idea, even though he has always insisted that the Joint Chiefs-of-Staff ought to be kept out of politics, while Senator Taft seems to be dragging them right in.

In fact, however, it is difficult to see how the Joint Chiefs can be kept above politics when, as happens at present, many of the bitterest political issues revolve round strategic



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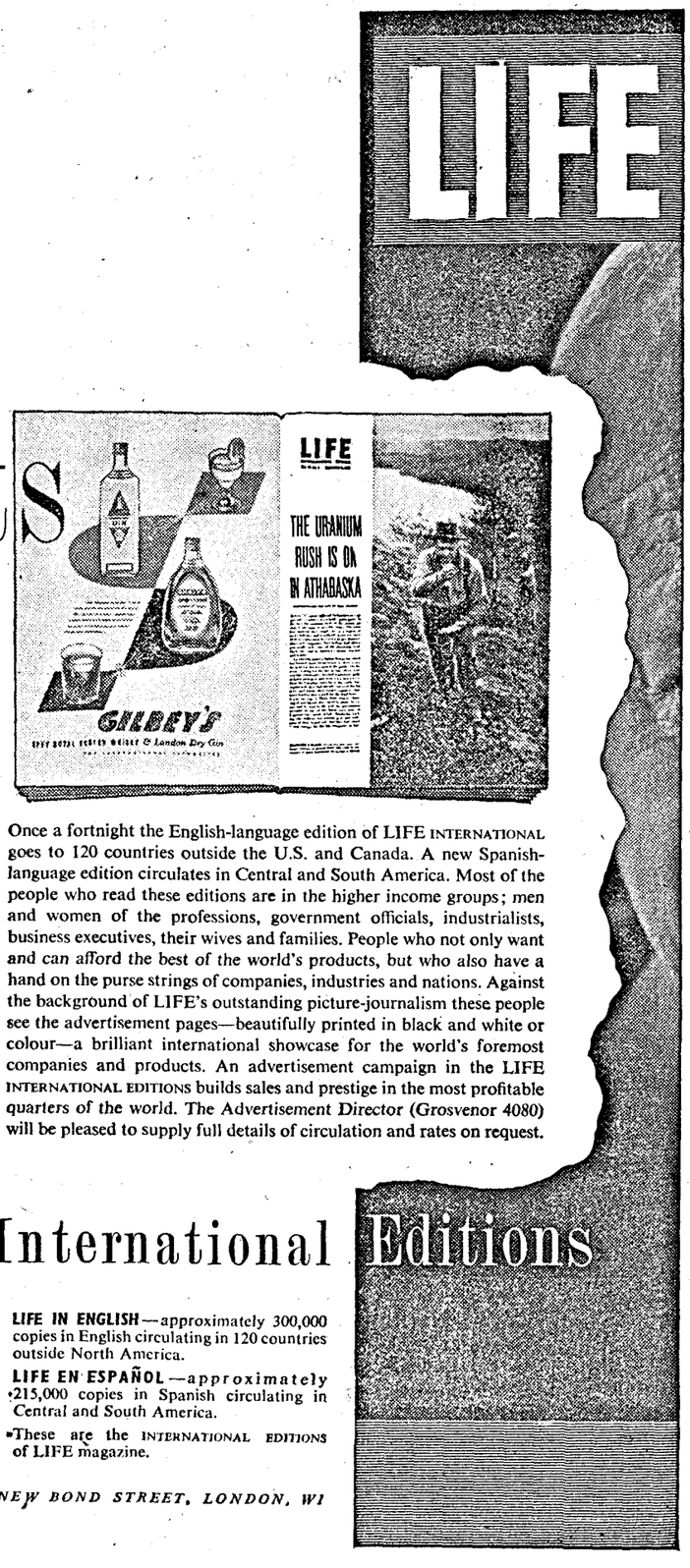
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questions. They have, however, been involved in Congress's day-to-day arguments more than is necessary, as the result of the details of service administration in which they have become involved and of the weakness of the civilian control over them. To remedy these faults and to clarify the role of the Joint Chiefs-of-Staff, who are intended to be military planners and advisers to civilian officials, and no more than that, is the chief aim of the scheme for reorganising the Defence Department which has now been submitted to the President by Mr Nelson Rockefeller's committee, which was asked last November to suggest ways of improving the efficiency of government.

Iron Curtain or Golden Door?

IT has always been easier, although more dangerous, to escape from behind the iron curtain than to get through the "golden door" that leads into the United States. But that door has been even more difficult to penetrate since the Displaced Persons Act expired and the new McCarran Immigration Act came into force at the end of last year. President Eisenhower has never concealed his sympathy for the psychological as well as the practical reasons why the United States should welcome not only refugees from Communist oppression but also emigrants from other overcrowded European countries. He has now suggested that Congress should relieve the immediate pressure by admitting an extra 240,000 immigrants in the next two years, and remedy the permanent problem by amending the McCarran Act.

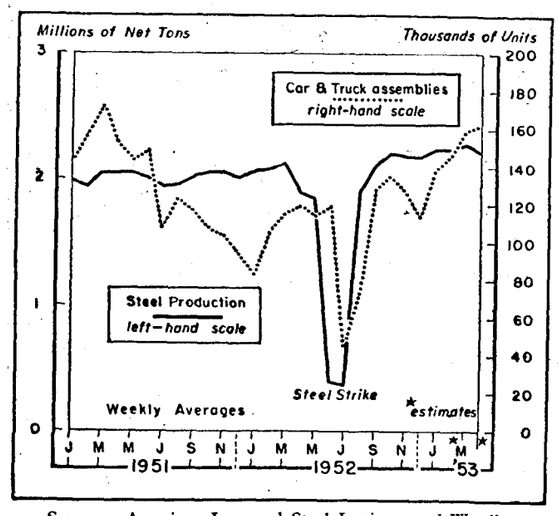
As regards the latter, Mr Eisenhower has so far asked the Senate subcommittee on immigration only to study once again the many complaints about the "serious and inequitable" restrictions in the Act. But criticism of it has never followed party lines and it will take a far stronger lead than the President has as yet been prepared to give Congress, on this or any other matter, to force a reconsideration of the Act. For Senator McCarran's Republican successor as chairman of the subcommittee, Senator Watkins of Utah, differs from his predecessor in little except his party allegiance.

Mr Watkins has no intention of holding hearings on the Act at present, for he argues that it is too soon to judge how it works in practice. There is some truth in this; the restrictions on foreign seamen, for example, which caused so much ill-feeling at first, are now, it appears, giving rise to less irritation. But it is not too soon to answer the objections to the Act in principle, especially if, as its supporters contend, the critics have either failed to read, or have misinterpreted, its 300 complicated pages.

The complaints against the Act which the President has asked Mr Watkins to study concern mainly its discrimination against naturalised citizens and other groups and the excessive responsibility put upon officials by the vagueness of its definitions of the conditions under which visas may be denied and aliens deported. Not even Mr Eisenhower seems to have any hope of remedying the basic fault of the Act, its perpetuation of the national origins basis for immigration quotas, which means that only small numbers are allowed in from the countries of eastern and southern Europe where the need is greatest. He has, however, drawn attention to the provision under which refugees coming in from these countries under special legislation in excess of the permitted numbers are counted against the quotas for future years, thus cutting down further immigration very drastically. This is one of the reasons why it seems impossible to carry out the President's proposal for admitting 120,000 extra immigrants a year, within the framework of the present Act, as he suggests, since it only provides for 155,000 a year from all countries.

Boom on Wheels

STEEL producers continue to work to capacity, although a few small strikes prevented April from becoming another record-breaking month. But they are beginning to wonder how long they will be able to go on selling all they can produce. So far there is no indication of a fall in demand, but some at least of it comes from manufacturers who are laying in extra stocks in anticipation of a price rise or a possible steel strike this summer. The latter seems unlikely but the former has already begun on a small scale. The government's increased need for steel for shells is another important source of demand, which could shrink sharply should there be a truce in Korea. Most important



Sources: American Iron and Steel Institute and Ward's Automotive Reports

of all is the demand from car and truck manufacturers; even last year they bought 15 per cent of all the steel produced and now that restrictions on their output have been removed their requirements seem insatiable.

Steel producers ask themselves whether this can continue, but the automobile makers do not admit to any doubts. Output of cars in the first quarter of this year was 50 per cent above the same period of last year and continues to rise, with double shifts being worked in most plants. If, as seems likely, nearly 2 million vehicles can be produced in the second quarter, 1950's amazing record will be broken. This high rate of output is directly related to demand; new cars are selling well, although used cars are beginning to accumulate.

The General Motors Corporation, from its first quarter's report, finds itself in an especially satisfactory position and is well on the way to regaining its prewar share, 48 per cent, of the automobile business. The Chrysler and Ford companies, each with about 20 per cent, compete closely for second place and the new company, just formed by a merger between the Willys-Overland and Kaiser-Frazer corporations, expects, probably over-optimistically, to come fourth. It seems odd that the Kaiser-Frazer firm, which was near bankruptcy, was able to borrow the money to buy its more prosperous rival. The answer lies partly in the large Kaiser losses in recent years, which can be set off for tax purposes against any future profits the new company may make, and partly in the well developed Willys system of distribution, something which the Kaiser-Frazer company has lacked.

Housing in the House

ONE of the ways by which the House of Representatives managed to cut over $700 million out of the first Appropriation Bill it has passed was to halt all new federal subsidies for low-cost housing in the year beginning next July. The vote on this step provided the first clash between the conservatives, of both parties, determined to justify tax reduction by cutting government spending everywhere, and the Democrats and Republicans, chiefly from big cities, who feel that the first Republican Administration since the nineteen-twenties cannot afford to balance its books at the expense of its social responsibilities.

The present housing subsidies had a bi-partisan, not a New Deal, origin. Senator Taft was one of the authors of the long-range Housing Act passed in 1949, which authorised a total of 810,000 low-cost dwelling units to be built over a period of six years. The annual total of 135,000 units to be built by localities and subsidised by Washington has, however, never been reached. In 1951, because of the Korean crisis, President Truman asked for only 75,000, and Congress appropriated money for only 50,000. Last year the allowance was cut to 35,000. This is only a drop in the housing bucket ; thanks, in part, to a mild winter, houses are still being started at a rate of over a million a year. But despite the long run the housing boom has had, demand for subsidised dwellings remains high, at least in the big cities. How strong the demand even for the dearer ones remains in New York may be judged by the fact that 10,000 people stormed Gimbels, a department store, the day it put on sale 3,700 co-operative flats in buildings yet to be constructed.

President Eisenhower had asked Congress to provide money for 35,000 subsidised dwellings ; this would continue the *status quo* until his commission on federal-state relations decides what role the federal government should play in housing. But he refused to rebuke the House for turning down his modest request, which was conveyed loyally, but perhaps not over-enthusiastically, by Mr Cole, the Administration's new housing head, and a long-time enemy of low-cost federal housing. Similarly, the Administration made no great effort to secure the five months' extension of federal rent control it favoured to enable states to pass their own rent control laws if they wanted to. Mr Eisenhower may count himself lucky to have secured a three-month reprieve for rent ceilings. If the public housing programme is saved from extinction in the Senate, as happened last year, the credit will belong to Mr Taft, a handful of liberal Republicans, and the Fair Deal Democrats, not to the White House.

Internal Security

IT will surprise many to realise that the Subversive Activities Board, created under the Internal Security Act of 1950, has only just last week concluded, after two years of hearings, that the Communist party is "nurtured by the Soviet Union" and dedicated to overthrow, by violence if necessary, the government of the United States. Such a finding was necessary before the party could be required to file with the Department of Justice its list of members, its sources of funds and a detailed account of how they are spent, and be forced to identify all its propaganda.

The party has no intention of complying until it has exhausted its legal—or perhaps its financial—resources. It will be a year or more before the constitutionality of the requirement and of the Act which authorises it can be determined. And even then, the effect may be not to make the party operate in the open, but to force it underground. But Mr Brownell, the Attorney General, has already asked the board to require twelve "Communist-front" organisations —groups alleged to be dominated by the party—to register as well. None of this means that the party is about to be outlawed. It can still hold meetings, publish newspapers and magazines, if the money can be found, buy radio time and run candidates.

Meanwhile, Mr Brownell has finally unveiled his plan for keeping the federal government free of disloyal or unreliable servants. President Eisenhower's announced aim has been to maintain the executive house in such good order that Congress would have no further excuse for trespassing. A loyalty programme has existed since 1947, with departmental boards to weigh charges against individuals and a supreme review board to hear appeals. These are all swept away ; a new and broader standard—behaviour consistent with the national security—is set up.

The heads of some departments dealing with secret matters have before this had the power to dismiss summarily those whose loose talk or personal weaknesses made them dangerous to employ. Now all heads of agencies and departments will have this power and will be responsible for the security of their staffs. They may set up loyalty boards—made up of government servants from other departments—but these will be purely advisory.

One advantage of the new standard is that a man can be dismissed without impugning his loyalty and making it hard for him to find even a private job. But from the point of view of the individual's rights, the lack of any appeals procedure is a backward step. Uneasiness on this point was one reason why the new plan, which was expected in February, was held up so long. Mr Brownell, however, appears to have won his point. A heavy responsibility is thus put on heads of departments to avoid even the appearance of victimising people they do not like, perhaps for the sake of replacing them with good Republicans.

The World Overseas

The Assembly in Perspective

FROM OUR UNITED NATIONS CORRESPONDENT

THE seventh session of the United Nations General Assembly recessed in a flickering glow of unanimity far more amicable than the atmosphere in which it began. The session closed—it has been recessed, technically, until an armistice pact is signed at Panmunjom—in a series of warm congratulatory speeches, but tensions were still so close that men watched their words. When Sir Gladwyn Jebb tagged a bow to Vishinsky with a Latin flourish about meeting again *auspicium melioris aevi*, the translator failed to put the phrase into Russian and for a moment the old suspicions bristled.

Too much hard-taught cynicism pervaded the corridors to permit of many statements that the pale halo of the Russian sun will last, or even that its rays may in the longer run prove beneficent. The more philosophic contented themselves with enjoying the respite while it lasts, and with it the opportunity to finish what otherwise threatened to be some very sticky items. It would have been hard to believe in October that the Polish resolution, originally intended to embarrass the United States, would eventually be transmuted into a set of phrases which could be approved by every nation present. It was equally unlikely that a Burmese complaint against the activities of Chinese Nationalist troops would be passed with reasonable discussion, no negative votes, and only two abstentions.

The unquestionable gains made in the wavering light of the Russian sun were the agreement on a new Secretary General and the airing of personnel woes. Whatever happens next, the replacement of the unhappy Mr Trygve Lie by Mr Hammarskjöld counts as an unadulterated good. The complexities of the personnel tangle have been set before the Assembly with some hope that confidence, courtesy and a firm understanding of the powers and responsibilities of office may restore shattered morale ; these should also help to re-establish the prestige of the organisation and the self-confidence of the staff. The Assembly debate on the subject was outspoken enough to be salutary. The resolution, with its restatement of the Charter design of an international secretariat not to be meddled with by any member nation, with its recognition that this ideal needs support from members as well as firmness on the part of the Secretary General, added more than pious hopes.

Although the session ended with its dignity repaired and its bruises healing, it leaves behind it certain basic questions to which member nations need to give attention. The first of these is the damage wrought by the continuing disproportion between west and east. France, Belgium and the Netherlands are there ; so are the Scandinavian nations. But Germany is not represented, nor is Italy, and nor are Spain, Portugal and Switzerland. This lack of European weight is partly to blame for the ease with which UN meetings have deteriorated into slugging matches between Russia and the United States, with the more timid nations sitting on the sidelines and dodging when opponents come too close. It also encourages the United States in such ungainly ventures as sending the FBI to interview foreign secretariat members, or refusing visas to accredited representatives of Ecosoc who do not fit within the straitjacket of the McCarran Act.

The second problem arises out of the need for a clearer understanding of what the United Nations should, and should not, be expected to accomplish. The Assembly continues to be over-burdened: in part because matters are brought to it which should not come until all other means of discussion and agreement have been exhausted ; in part because its procedure, though improved with experience, is still clumsy and time-consuming. The popular concept of the Assembly as a town meeting of the world has led to a disregard of Charter limitations in favour of an expansive feeling that anything can, and should, be brought before it.

Some method is needed by which items can be more closely screened before they are put on the agenda, without arousing cries of political pressure. Nations can discipline themselves in this matter, and those which are both experienced and mature do so; but the newer ones, still finding it exhilarating to walk in world company, have yet to learn that it may hurt rather than help their cause to rush too quickly on to the Assembly floor. The Arab nations hardly helped Tunisia and Morocco by bringing their complaints to the world area at this point ; the Burmese were wiser in accepting the handling of their case rather as a news item for the world's attention.

By the same token a bridge between action and responsibility is badly needed. In colonial and trusteeship discussions, in proposals for helping underdeveloped countries, this session has shown an increasing tendency to rest content with fuzzy resolutions asking for pie in the sky and promising in return not even discreet table manners. To clamour for funds, and in the next breath to assert the right to nationalise enterprises built with earlier funds, is to pretend that bankers and Congressmen can neither hear nor read. Uno cannot long be patient with such fantasies without imperilling its own sources of support.

The problems of tightening procedures and developing

responsibilities are difficult, as long as every nation sits on every committee and casts one vote. Obviously a committee of sixty members is a clumsy body in any situation, slow to agree and susceptible of infinite procedural manipulation. The committee's task is to discuss the problems assigned to it, and to put its findings in the form of a resolution. When these resolutions come to the floor, they are subject to editing by the entire sixty, an undertaking which sometimes bogs down into comments on commas. Whether passed or refused, committee resolutions may then go to plenary sessions and can be discussed all over again.

It can be argued that this slow motion method is inherent in the parliamentary tradition, that it discourages hasty decisions and provides an outlet for irritation, that when east and west sit down together no one should try to hurry them. Unfortunately the system also produces such boredom that one wonders whether the dangers of inattention may not be as great as those of haste. Fortunately, some members of the secretariat, at least, are beginning to look ahead to 1955 when the Charter is to be overhauled.

Comedy of Diplomats

Meanwhile the most pessimistic reporter must grant that, for all its irritations and inconsistencies, this most controversial of sessions has had certain positive values. The Russians have at least shown that they have not completely forgotten the ways of reason. The new American Administration, however clumsy, clearly intends to take the UN seriously. The organisation has settled into its new home, and got itself a new Secretary General. In the process it has taken on a solidity which, however illusory it may have seemed at moments in the last six months, does create an impression, if only by the mere process of staying in one place. At least it is now possible to issue a detailed calendar of meetings for 1954-55.

It must also be admitted that certain aspects of the session seem in retrospect not unlike a film comedy of the days when the high dramatic moment was marked by the throwing of a custard pie in the face of an opponent. Around the big glass house the cinematic chase went on and on, in and out of glass doors, up and down moving staircases, with Mr Vyshinsky usually in the lead, Sir Gladwyn Jebb tripping him in the corners, Mr Gross and then Mr Lodge thinking they were sitting firmly on his head, only to find him roaring at them from a new vantage point. Confusion followed confusion, stretches of unbearable dullness were followed by moments of tense excitement.

The things that were accomplished owed, in the main, more to extraneous events than to the policy pushed by any one country. It will be remembered that, on convening in October, 1952, the Assembly faced stormy omens and an agenda of some seventy items. Had the various committees not marked time until after the American elections, they might have finished their work by Christmas. Having then postponed seven prickly political items until after the new Washington Administration was installed and a new American delegate appointed, the delegates might today have been making the same ugly speeches at each other had not Stalin died. The second event relieved the extra pressure imposed by the first. Then the Russian change of policy arrived; symbolised by a smiling Vyshinsky and some sweetened speeches, it proved to be the biggest custard pie of all.

Canada Feels its Strength—II

The Question of Gas

FROM OUR OTTAWA CORRESPONDENT

THE natural gas situation is more complicated than that of hydro-electric power, though the same principles apply. The essential similarity between the two is that supply is no good to anybody unless it can be guaranteed. Power plants cannot be built without an assurance that the water will continue to flow. Gas outlets, whether in factories or homes, cannot be provided without an assurance that gas will continue to flow through the pipes. In every project for a natural gas pipeline the first question is what reserves are available for the line, and how long they will last. It is on this principle that the province of Alberta has until now refused permission to export gas from the principal and most accessible fields in the centre and south of the province. The provincial government has insisted that reserves must be adequate for all the province's own conceivable needs for at least thirty years. It has thus enforced in miniature the policy which the Federal Government is now enforcing on a larger scale.

What the provincial government did last year was to authorise export from the remote northern area of the Peace River of gas which was unlikely to be economic for the central part of the province. This northern reserve was greatly boosted by new finds in northern British Columbia, and a Canadian pipeline company is now trying to build a line to carry it south through central British Columbia to serve Vancouver and the markets of the Pacific Northwest states. Vancouver itself does not provide an adequate market to justify the pipeline, and the fate of the project is now in the hands of the Federal Power Commission (FPC) in Washington. The FPC has to license construction of the line south from the Canadian border to the US markets of Washington and Oregon.

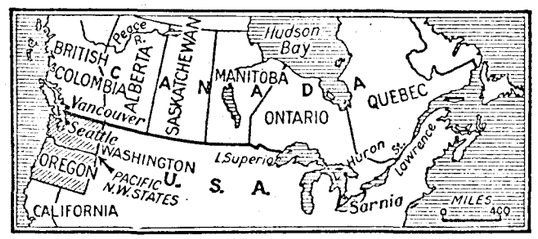
The remaining problem was what to do with the prolific gas fields of southern and central Alberta. Their nearest market, and therefore the most profitable one for the gas-producers, is certainly in the neighbouring US territories to the south. But eastern Canada, with all the industrial centres of Ontario and Quebec, is hungry for cheap fuel. There was much discussion some while back of the possibility of making an exchange, whereby gas from western Canada would be piped to the United States, and the United States would supply Ontario and Quebec. This idea is now dead and buried as far as Canada is concerned. It has been killed by two things, both of which are highly significant in Canadian-US relations.

The first is that Canadians have become convinced that any supply dependent upon the whims of American authorities like the Federal Power Commission is an unreliable supply. The needs of American users, it is firmly believed here, would always come before those of Canadian users. Political lobbyists and pressure groups, the whole uneasy wrangle of Washington politics, would be involved. Canada knows enough about them—with the St. Lawrence Seaway as an awful example—to be determined to keep clear of them wherever it possibly can.

The second, and perhaps more significant, thing is that United States supplies of gas are already running short. The chief supporter of a Canadian pipeline from northern Alberta and British Columbia to Washington and Oregon is the State of California. California knows it will be short of gas within a comparatively few years, and it wants to make sure that the remaining untapped supplies in the United States are available to it. Canada, in other words, emerges as the country with the untapped and still inestimable resources for the future.

This is why the Canadian public so warmly supports the "all-Canadian" gas pipeline which has now received official endorsement from the federal government. It will be a mammoth enterprise. The line is projected from southern Alberta clear across the prairie provinces, and then along the rugged, difficult, and sparsely-settled route north of Lake Superior, down into southern Ontario. Capital costs will be considerably higher than they would be for a line parallel to Imperial Oil's proposed oil pipeline, which is to run through the United States from the Head of the Lakes and comes back into Canada at Sarnia (at the foot of Lake Huron). Higher capital costs are apt to mean a lower price to the producer or a higher price to the consumer. But Canadians remain determined to keep their own gas in their own country, and there are rosy dreams of what industrial development may be encouraged—both from by-products and from cheap heat—right along the line.

Later on this month, the Alberta provincial authorities



have fixed hearings to reconsider the possibility of export from southern and central Alberta in the light of new finds. This time there are good hopes that a permit will be granted, mainly for two reasons. One is that, with the prospect of the transmountain oil line to the Pacific coast taking out much more oil than was at first planned, and the promise of another line right through to Ontario south of the lakes, enormous quantities of gas are going to be wasted if a market cannot be found. Much of the Alberta gas is associated with oil; as the oil is drawn off the gas must be either used or flared. Another reason is that the province of Saskatchewan to the east is beginning to show up as a promising gas producer. One trillion cubic feet have already been proved in Saskatchewan, compared with the estimated 12-13 trillion in Alberta. But Saskatchewan has already promised that its gas can be exported; and unless Alberta removes its restrictions soon the drilling rigs will be switching their sphere of operations.

In view of the new federal policy, it would seem that Alberta has no alternative but to approve export through an all-Canadian pipeline to Ontaria and Quebec. The federal government has the authority and the will to forbid export to the United States. Once Alberta's consent is given, therefore, it looks as though the main line of the Canadian Pacific Railway, which did so much to make possible the development of a Canadian nation in the early years after Confederation, will soon be followed by a gas pipeline spanning half the continent.

It can be argued—and many Americans do argue—that it would be much more sensible and much more economical to develop gaslines north and south. In the case of oil Canada has no objection to doing it that way, because an oil pipeline is not something that can never be interrupted. It serves refineries which can switch to alternative supplies if necessary. But in the case of gas and water-power a supply once given must be maintained. To allow their export, Ottawa argues, is to alienate permanently a permanent Canadian resource.

(*Concluded*)

Opinion in Nigeria

FROM OUR CORRESPONDENT

PRESS, politicians, people, university students, Europeans, all are deeply concerned with the present political and constitutional crisis, although they vary in the extent to which ideas have crystallised.

For the journalists it is jam; and on the whole they have made the most of a big chance. The reporting and presentation of news has been fair, and the technical advances made lately by the Nigerian press have been demonstrated. Comment, however, is a different matter. There, with the greatest relief and the most joyous abandon, the daily papers have plunged into attack. Such restraints as were imposed by the policy of modified co-operation with Britain in working the new constitution have been abandoned.

Its full force has been delivered against the three "sit-tight" ministers from the Eastern Region, who now find themselves still in office—but sans Zik, sans friends, sans party and sans respect. After them comes the progressive and liberal-minded Governor, Sir John Macpherson, "the most formidable obstacle to Nigerian progress," "himself a Tory imperialist of the deepest dye," in the words of Mr Awolowo. Third in line for attack are the Northern leaders, the "pro-Britishers"; Nigerian journalists have revelled in a quotation from a British left-wing weekly describing the Fulani chiefs as agents of British imperialism, maintained in power by British influence. Fourthly comes the Colonial Office, Mr Lyttelton appearing as "the diehard Tory politician who will go down in history as one of the greatest failures as Colonial Secretary," words which might have had more sting if they had not already been applied in very similar form to Mr James Griffiths and Mr Creech Jones.

Now and again an ugly note is struck. An article "Mau Mau or no Mau Mau?" has appeared in the Action Group papers which threatens that terrorist methods are in reserve. "Those who fight shy of Mau Mau are not realistic. The Mau Mau, with all its terror, with all its horror, with everything that makes it the scarecrow of the imperialist, may still be the way out of Nigeria's bondage." This is probably of no immediate significance, but might become so if criticism of Britain in the peasant mind became identified with the increased taxation the government will shortly be forced to collect in the Western Region, though it was imposed by Action Group ministers to finance their ambitious programme for universal primary education. Already there have been riots at Badagri, not far from Lagos. If Mr Lyttelton is waiting for the dust to settle, it

might be wise for him to arrange for showers of rain before the tax collection in August.

Like the gentlemen of the press, politicians have been rejuvenated by the crisis. For the moment they play down any suggestion of terrorism. More disconcerting to anyone who still believes it possible for Britain to hold on here beyond 1956, is the quiet self-confidence of Nigerian leaders and their determination to make the utmost of Britain's present colonial embarrassments. The Westerners and their new Zikist allies have a calm sense of duty done—it becomes daily clearer that the crisis was deliberately contrived—and of duty to be done: the mounting of a three-pronged offensive against the Eastern renegades, the Northern feudal magnates, and the central officialdom. They are satisfied they can manage all three. If they can undermine the Northern chiefs by direct agitation among the people of the North, and present Britain with the *fait accompli* of a united Nigeria, one important argument against self-government in 1956 will disappear. The only opponent which the Action Group leaders may have underestimated is the strength of Islam in the North. Immediate tactics are to press the demand for self-government in 1956 at every possible meeting, assembly, or legislative house, until Britain is forced to recognise the power behind it.

University opinion on the crisis is passionate but amorphous. Intelligent enough to discount the cruder forms of nationalist propaganda, undergraduates are nevertheless profoundly in sympathy with its purpose. "I don't know how I'm not free" said one of them. "And yet I desire 'freedom' with all my heart." Nigeria's next generation of politicians will not become anti-British unless Britain at the last minute withholds the consummation of all its previous colonial policy—independence.

French *versus* German Steel

THE European Coal-Steel Community had to postpone the opening of its common market for steel from April 10th to May 1st in order to give officials time to straighten out the problem of taxation. Tax systems vary widely throughout the six countries and some producers felt that the disparity would give their competitors an unfair advantage. A commission of experts, headed by Professor Tinbergen, was appointed to sort out the intricacies and to recommend some arrangement which, short of revising the entire fiscal systems of the Community, would ensure fair competitive conditions. Its final recommendations have raised a storm of protest from the German steel producers.

Briefly, the commission proposed that French steel sold to Germany, for example, should be divested of all French indirect taxes at the frontier and should bear only the indirect taxes imposed by the receiving country, in this case Germany. It would thus compete with German steel in the German home market solely on the basis of differences in costs of production and transport. The Germans had opted for the reverse solution—that French steel should carry its own high domestic tax wherever it went in the Community.

To the Germans the commission's proposal seems outrageously unfair. German indirect taxes are comparatively low and insofar as industry is concerned the German government raises its revenue by relatively high rates of direct taxation. This is completely contrary to the French fiscal system, where indirect taxes are high and direct taxation low. The upshot is that French steel exporters will pay little to their government from any profits they make on steel sold to Germany, while German exporters will not only have to bear high French indirect taxes but will also have to pass on a big share of their profits to the German government in the form of direct taxes.

At first glance, the case presented by the Germans seems to be a fairly strong one. But the commission's report puts a finger on the weaknesses. The argument that high direct taxes in any country can destroy the profitability of a country's export trade is a hoary and, in the main, very muddled one; the commission dismisses it with the somewhat debonair argument that it is the function of rates of exchange to offset any discrepancies between nations in the burden of direct taxation. As for differences in the rate of indirect taxation, the report, in a very concise table, shows that if its proposal is adopted, these variations will in no way harm Germany's competitive position. The report rejects the solution advocated by Germany simply because it would entail a radical alteration of all six fiscal systems.

In fact, these technical arguments disguise what is probably for the Germans the heart of the matter—the fact that since last summer, French steel producers have kept their prices low, largely in response to M. Pinay's pleas to save the franc. The Germans, on the other hand, have allowed their prices to rise sharply in order to build up substantial profits for ploughing back into their steel industry. Therefore, at the prices currently prevailing in the two countries, and given the commission's proposed solution, French steel would undercut German steel in the German market. The prize for producers in both countries is the south German market, where the Ruhr now has a slight advantage because of a special rebate it grants to users there and because of a German monopoly selling arrangement in the area; under the treaty both of these practices must go.

The Germans are so exercised about the affair that they now threaten to manipulate their taxes in such a way as to protect their steel industry, unless French steel prices are raised or unless the commission's proposal is modified.

The Threat to Siam

THE advance of Vietminh forces to the frontier of Siam is an event of great importance for the general situation in South-East Asia. It is extremely unlikely that this offensive was planned merely as a move in the war within Indo-China and without any thought of the leverage it would provide for bringing pressure to bear on Siam; if there were any doubt on this matter, it should be dispelled by recent violent propaganda attacks on Siam from Peking. Siam is accused of helping the French colonists and the Kuomintang of having become "an American military base in South-East Asia" and of oppressing the large Chinese minority in the country. The fact that this new military drive by a force now completely dependent on Communist China for essential supplies has coincided with the intensification of Chinese political warfare against an independent Asian state which has so far failed to be submissive to

Peking's "new order in East Asia" indicates that South-East Asia is not meant to be included in the list of regions to which the Soviet peace offensive is to bring quiet and relaxation. Russia, of course, is not responsible for what China does, and China is not responsible for what the Vietminh does, so that there is not much prospect for including South-East Asia in any negotiations which may be undertaken with either Moscow or Peking. Nor is even the Vietminh responsible; what is now happening in Laos is nothing but the irresistible will of the Laotian people struggling against imperialism. Soon no doubt the will of the Siamese people will be similarly invoked.

Siam can hardly be considered a reliable bulwark against an army so well equipped and battle-trained as the Vietminh, and invaders of Siam would not lack a fifth column among the Chinese minority, which has long been very discontented at the nationalist policies of the Siamese state. It is doubtful whether Siam would stand up to Chinese-Vietminh aggression better than it did to the Japanese invasion from Indo-China in 1941, unless it was confident of really effective military assistance from outside.

The question is whether the protection which has been given by the United Nations to South Korea has set an example sufficient to create such confidence. Siam is a member of the United Nations and could appeal to the Assembly if its territory were violated. But what could the United Nations do against either China or the Vietminh, under the existing rules of the cold war, except to make Siam a second Korea? And how many of the United Nations would now be willing to undertake a second Korean war?

Dr Adenauer's Party

THE pre-election conference of the Christian-Democrat party was held in Hamburg at the beginning of last week with the glow of Dr Adenauer's triumphal tour through the United States upon it. For the time being, Germans are so proud of the way he has raised national prestige that they are prepared to overlook that the actual practical results of the visit were not too great. This glow may fade rather quickly, but at the moment of the CDU conference it was strong; and it was evident that if the elections could have been held this month, the CDU would have been in a very favourable position. As it is, the elections are to be held at the end of August, and opinion may have swung somewhat by then.

The main government speakers at the conference—the Chancellor and the Minister of Economics, Dr Erhard—were able to recount the tale of Germany's spectacular recovery under the free enterprise regime of the coalition led by the CDU. The greatest tribute to the popular success of the system is that the Social-Democrat party has been able to water down socialism in its economic programme. It has even criticised a Liberal deputy, Dr Preusker, for proposing a partial re-introduction of coupons to enable poor persons to buy cheap imported food.

The CDU programme as drawn up for the Hamburg conference contains a mixture of conservative-liberal economic policy with proposals for removing conflicts between capital and labour. Although the CDU is anxious to establish the fact that it is not a clerical party or even an exclusively Catholic one—and the Protestant president of the Bundestag, Dr Eulers, has been mentioned in the CDU Press as a possible future successor to Dr Adenauer—the party's internal policy is that of the enlightened Catholic industrialist. The programme reaffirmed the law introduced by the government by which labour representatives (including nominees of trade unions) sit on boards of directors and managers. This law was a compromise between the extreme demands of the Trade Union Federation and the objections of the extreme anti-trade-unionist employers. It goes beyond anything that exists in other countries in the way of co-direction of business by labour. In addition, the party programme proposed that part-ownership of enterprises by employers should be fostered.

The religious element in the party came to the fore in the programme's insistence on the family as the basis of national life, and any interference of the state in the private lives of its citizens was rejected. At the same time, the programme called for, although not in very specific terms, an improved system of social welfare that would look after the young and all the millions who have suffered from the effects of the war. Like most pre-election announcements, it proclaimed the intention to do something for everyone. Moreover, the speaker could honestly point out that relief payments have been greatly increased under the present government and that real wages are actually higher than before the war.

No Neutralised Germany

One striking clause in the programme paid tribute to the German soldiers and promised to work for the condemned men—the term "war criminals" was avoided—who are still in prison. All parties, particularly those of the right, are making a bid for the votes of the ex-soldiers by similar means. The tributes they pay are not likely to affect the men who were conscripted into the Wehrmacht so much as the volunteers, the regular army and *Waffen S.S.* The Free Democrat party, particularly the right wing under Dr Middelhauve, has been making a much stronger and more systematic bid for these groups than the CDU. Dr Adenauer has declared himself against any German National Army, whereas other party leaders are not as wholeheartedly against it.

The CDU platform naturally stressed the party's support for the European Defence Community, as well as for the reunion of Germany in peace and freedom. Dr Adenauer had been fiercely criticised by the Social-Democrats for declaring that the reunited Germany must be included in the European institutions; on his return to Germany from the United States to attend the conference, he had to correct himself. He made it clear that the Federal Government could not bind any future all-German government to the EDC, the Coal-Steel Community, or the Atlantic alliance. All that can and will be done by the CDU, if Dr Adenauer remains German Chancellor, is to back the allied demand that a reunited Germany should be free to join such institutions if it desired. In other words, under Dr Adenauer the West German Government will be committed to reject any proposals from Moscow for a demilitarised, neutralised Germany.

Britain's Price for Wheat

FROM OUR OTTAWA CORRESPONDENT

THE last-minute British decision to stay out of the renewed International Wheat Agreement has baffled and mystified Canadian observers. It is believed here that the singular position in which the United Kingdom has placed itself cannot fail to prove costly to Britain and uncomfortable for Canada.

British irritation at the effect of the US domestic subsidies on wheat is fully understood here. Canadian officialdom is bound to agree that the US price support programme is wrong in principle. Although in this case it benefits the Canadian wheat trade, Canada suffers too much from other US agricultural support programmes to put up any defence for them. They lead inevitably to agricultural protectionism of the worst kind and to violation of US tariff obligations under the General Agreement on Tariffs and Trade, against which Canada frequently protests.

But, to be realistic rather than merely indignant, two comments are made here about the British reaction. The first is that talk about the "cartel" of wheat producers oversimplifies the situation. It happens that the world's largest exporter of wheat has set price supports far higher than the world price. As a consequence it always exercises an upward pull on the market. This must be the inevitable consequence of US policy either inside or outside an international agreement. As an equally inevitable result, the other wheat producers, including Canada, can always market their wheat outside the Agreement at a price a little lower than that set by the United States. The Canadian Class II price has always been well above the Agreement maximum and a little below the US Class II price. Consequently Canada has, in these postwar years, always been able to sell all the wheat it could move to seaboard.

Tactics for Bargaining

The second comment concerns the tactics by which the United Kingdom might have set about reducing the world price or breaking up the alleged cartel. It seems here that out of three possible courses the British Government has chosen the least favourable. One course, which some influential people in London advocated consistently, was not to renew the International Agreement at all. It cannot be doubted that the United Kingdom could have prevented the Agreement being renewed, if that had been its set policy. Even as late as January, when the negotiations started in Washington, an adamant refusal to bargain for any maximum above $1.80 could have broken up the negotiations at a time when the United States was still talking about quite unreasonable prices like $2.50.

By this course the United Kingdom could have ensured that the world wheat trade returned to free international bargaining at the time when the UK trade returns to private hands. It would have been, it is argued, a logical course to follow if the United Kingdom was convinced that world wheat prices would fall on a free market. The influence of the United States support price would, of course, still have been felt. Only new United States legislation can change that. But it is at least a tenable argument that the absence of an agreement would give more opportunity for the largest importer to get lower prices.

The second course would have been to try to break the market from inside a renewed agreement. It would have been fully understood here if the United Kingdom, or any other of the importers, had tried to get a lower minimum price than the $1.55 now decided. That would have been the logical expression of the belief that prices were due to fall. But there was no argument about the minimum. It was only the maximum of $2.05 which caused the trouble. Yet the only obligation the importers undertake is to buy their quota at $1.55. The maximum of $2.05 is the limit of what the exporters may charge. It represents an obligation of the exporters and not of the importers.

Under the old Agreement, the demand for the importers kept the Agreement price at the maximum, and sales outside the Agreement were consistently above the maximum. The United Kingdom evidently argued that it would always be so as long as there was an agreement. If this is so, the logical thing was to prevent renewal of the Agreement. If it is not so (as Canada believes), then the logical thing was to break the price within the Agreement. But to have an agreement and stay out of it is to get the worst of both worlds.

Wheat stocks in North America will be unusually high at the beginning of the next crop year on August 1st: there is no argument about that. If supplies from other sources are also plentiful enough to reduce the price below $2.05, the importers under the Agreement may get their wheat for as little as $1.55. In this event the United Kingdom will undoubtedly benefit, because it will not be required to pay the minimum of $1.55. If this is the calculation which British ministers are making, Canadians will question their forecasting ability. On any other forecast it is incomprehensible here what advantage the United Kingdom can gain from its present position.

Time alone can settle the argument. Not till the three years of the renewed Agreement are complete will it be possible to prove whether the United Kingdom has gained or lost. But, remembering that the United States price support programme seems, unhappily, to be one of the invariable factors, Canadians will go on the record officially as prophesying that the UK Government has blundered.

So far as the situation is understood here, the outcome represents the price of a divided mind. Once having held out through nine weeks of negotiations, once having helped to bring the US demands down to $2.05, it must have been clear at least to the British delegation at Washington that an agreement would be signed at that price. It was too late then to revert to the policy of preventing a renewal. But it was precisely at that point that the anti-Agreement forces in the British Cabinet won the day. The UK Government—reportedly on the personal decision of the Prime Minister, since the other ministers were divided—came crashing down between two stools, either of which might have been reasonably comfortable.

For this year, and it is believed here for subsequent years also, the Canadian Wheat Board expects to be in the unhappy position of selling wheat to the Agreement importers for $2.05 a bushel, and charging the United Kingdom importers whatever higher price may be going for Class II sales. Nobody here will like it. If the British Government wants to change its mind, Canada would support a later request to accede to the Agreement. But if Britain sticks to its decision this is the way Canada expects it to be. Either London or Ottawa must be wrong. Time will show which it is.



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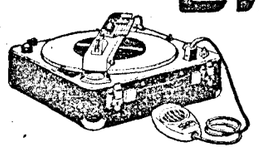
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THE BUSINESS WORLD

Gilt-edged and the Deficit

THE gilt-edged market has taken the electricity issue less comfortably in its stride than seemed likely immediately after the budget, despite the indications that the "departments" did not need to absorb quite so large a proportion as on previous occasions. This faltering may perhaps be partly explicable on technical grounds, for the market can now look back upon a long-sustained advance; and a pause that was perhaps due in any case may have been signalled by second thoughts about the Kremlin's peace offensive. But beneath the day to day influences there has certainly been a more fundamental one: the City is still bewildered about the monetary implications of the budget.

The market's first impressions were favourable. The Chancellor had drawn attention to the fact that private savings expanded last year sufficiently to offset, with a substantial margin to spare, the shortfall in Government savings. He had emphasised that, for the future, the Government would not need to contribute as large a budget surplus to the nation's whole pool of savings as it had done in earlier years. And he suggested that present indications implied that the economy would require in 1953 broadly the same monetary measures as those now in operation. This last statement, though it dashed the hopes of the few who had supposed that a budget designed to encourage investment might be accompanied by a reduction in Bank rate, reassured those who suspected that a policy that rested upon a larger supply of private savings might demand firmer monetary measures in order to foster them.

These, however, were first thoughts. The market's second thoughts have provoked a somewhat more sophisticated argument. Attention has focused on the fact that the Chancellor has saddled the Exchequer with a prospective "overall" deficit, even on his own reckoning, of £440 million, yet has said nothing about the way in which he intends to finance it. Obviously, unless the external balance of payments plunges into deficit again, he will get no net new finance from overseas. And if the external account maintains its 1952 rate of surplus, as the authorities may be hoping it will do, the Treasury's domestic finances will have to bear the strain of financing that as well. This, moreover, is tantamount to saying that, unless the external surplus diminishes, the Treasury cannot reckon the "counterpart" of defence aid dollars as affording any relief to its domestic finances, so that the prospective Exchequer deficit is really £140 million bigger than the £440 million shown in the accounts.

The Treasury's programme for domestic borrowings therefore promises to be even larger than last year's, despite the fact that it is shifting to the private sector some of the capital financing for which it had previously accepted the whole responsibility. The persuasion of some local authorities to use the new freedom to bypass the Public Works Loan Board is the best understood of these switchings; but a comparable switch occurs unobtrusively every time a commodity is released from Government trading—since the Government then secures cash by liquidating its stocks and the private sector has to find cash to build up stocks anew. Moreover, a budget that is intended to stimulate private capital outlays gives this year an estimated tax relief of only £45 million to company savings while raking in some £200 million from those same savings in the shape of EPL and suspended initial allowances.

The City statisticians who have been totting up these quantities then reach a dilemma in interpreting them. The Government, they say, must borrow heavily again; but if it repeated last year's expedient of con-

centrating its borrowings upon the banks, would this not generate a new and strong expansion of credit that would be dangerously inflationary for the economy and equally dangerous, in the end, for gilt-edged? Would it not stimulate an undue expansion of imports and simultaneously put pressure upon costs, and so reduce exports? Moreover, would not these dangers be further accentuated by the technical fact that borrowings on Treasury bills would ease the liquidity ratios of the banks and lead them, therefore, into an undue loosening of their grip upon bank advances, so that more liberal lending policies would add a further quota of inflationary demand?

Reasoning on these lines has led many commentators to the conclusion that the Government's only means of avoiding these dangers would be to divert its borrowings to the gilt-edged market—to follow, in short, the course that was widely advocated (but not followed) last summer, of borrowing "genuine" savings to ensure that the finance was not obtained even indirectly through the creation of new bank credit. But if the Government had to take care to borrow only savings of that character, surely, it is argued, it would have to offer terms that would put severe pressure upon the market—a market already burdened by the demands diverted to and fostered in the private sector. And how, in any case, could either of these alternative methods of borrowing be squared with the Chancellor's assumption that presently foreseeable conditions require no change in monetary policy? Surely the first method would sharply relax monetary policy, whilst the second method would sharply tighten it?

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It may be that the City's instinctive caution that underlies this kind of analysis is justified, and that the dangers it fears will materialise; but, if so, it will not be because its analysis is sound. If the Chancellor has blundered, as the City argument implies, it will not be because he has overlooked the supposed difficulty of Government borrowing, but because he has founded his whole policy on the supposition that the condition of the national economy is radically different now from the condition of chronic inflation with which the previous Government had to contend. If that former condition still persists, then the City argument would be unchallengeable. But the Chancellor and his advisers believe that it persists no longer; and they attribute its dispersal partly to their own monetary policy and partly to the changed climate of world demand that derives from wider influences. They do not claim that the condition of excessive demand—which is a synonym for insufficient savings—will not return to Britain's economy; but they do say that last year, for the first time since before the war, its total potential savings were larger than was needed—despite the fall in Government savings. They also say that this year, without the budget stimulus, total demand would still be less, and total saving more, than is required to keep the economy working at the optimum level of output. Even after the stimulus to demand given by the budget, they believe that there will be a sufficient safety margin of potential saving to prevent the recurrence of embarrassing inflationary pressures.

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There is no need to discuss again here the merits of these assumptions. *The Economist* has already expressed its view that, whilst some degree of risk has been run, the Chancellor was justified in running it. He has given the assurance, moreover, that if conditions change unexpectedly in either direction, he will use monetary policy as the controlling lever to vary the level of domestic demand (including, of course, the balance between saving and investment in the nation's capital account). The point upon which the City and the gilt-edged market should now fasten is that, if the Chancellor's diagnosis is right, the dilemma it fears will not arise. Sufficient savings will be flowing into the capital market, in its widest sense, to finance the demands made upon it—and without the need either for the sanction of rising interest rates or the arbitrary stimulus of credit expansion.

Indeed, if the principle is conceived only in these broad and theoretical terms, that will be true whatever method the Treasury adopts for financing its domestic deficit and the overseas surplus. In principle, if the requisite savings are being generated, but are not being absorbed by government borrowing in the gilt-edged market because the government chooses to borrow instead from the banks, then these savings will by one means or another be used to relieve the banks of other assets, so that most of the credit created by government borrowings will be extinguished. If it is assumed that the public desire for liquidity remains constant, an undesired increase in its cash would lead it to repay indebtedness or buy securities that either the banks or the authorities would supply.

This general principle of course greatly oversimplifies the relationships that would obtain in practice; but the practical complications do not invalidate it. Indeed, so long as the underlying conditions envisaged in the budget obtain, it should be the day to day task of monetary management to ensure that the complications and frictions are so smoothed out as to leave the capital market and the banking mechanism approximately in the broad equilibrium that this principle implies. If that is successfully done by nice apportionment of the government borrowings between the two channels, the future of gilt-edged will depend above all upon the changing whims of investors. And at the moment the balance seems to be tilting just slightly towards fixed interest securities rather than equities. But it is not a stable balance.

Tied Beer and Free

BY A CORRESPONDENT

AMALGAMATIONS and rumours of amalgamations in the brewing industry have hit the headlines in recent weeks. The latest and largest acquisition is that of Tamplins, of Brighton, by Watney, Combe, Reid; but in the past few years a dozen or so of the smaller breweries have been absorbed by larger firms.

This process, of course, is nothing new. For years amalgamation has been the way in which the brewing industry in Britain has adapted itself to changing technical conditions and to the downward trend in demand, with its persistent pressure on overhead costs. With beer consumption in the UK falling from some 36 million bulk barrels to about 25 million in the thirties, the industry had a chronic excess of capacity over demand (and may still have). But amalgamation was not carried through simply to close redundant breweries and reduce costs; the licensing laws that restrict the number of retail outlets and created the tied house system made it necessary for strong brewers to buy up weaker rivals for the sake of their houses, in order to maintain or expand their own volume of trade. This process has also been necessary to follow regional shifts in population since licences cannot be transferred over wide areas. What is new is the modern trend in the demand for beer, to which amalgamation may no longer be the only, or the most suitable, answer.

Following the temporary wartime boom in beer sales, demand has returned to 1938 levels, at which there have been signs of levelling off. But within this total there has been a most significant shift in demand towards bottled beer, the sales of which have actually increased in volume by about a quarter since 1938; and the whole weight of the postwar fall has been concentrated on draught beer. In 1900, probably less than 5 per cent of beer sold was in bottles. By 1938 the figure was 25 per cent; last year it reached 35 per cent (it would have been higher but for lack of materials for bottling plants) although it varies widely from 15 per cent in the north to 50 per cent or more in the south. Alongside this development has come a slow but steady increase in the free trade—the sale of beer in clubs, restaurants, canteens and for consumption at home, as well as to a small extent in other brewers' houses. These developments are of differing importance to the trade; but both seem firmly established.

The decline in total demand may be checked in the 1950s. But the need to adapt retail outlets to movements in industry and population will continue; and there will—fortunately—be enterprising brewers who will want to grow. What the bottled beer and free trade developments offer the brewer is an alternative way of holding or expanding his sales of beer: to infiltrate into other brewers' areas and stimulate sales by intensive advertising that may turn his bottled beer into a "national," or perhaps a "regional," brand.

Whether a brewer decides to amalgamate or infiltrate (or both) will depend partly on fortuitous domestic circumstances—financial resources, the chance opportunity to buy out a neighbouring firm, perhaps even the disposition to regard the tied trade as reputable and the free trade as "commercial." But underlying economic trends may begin to tell against amalgamation. These are not merely the expanding opportunities for bottled beer in the free trade, but also the economic problems of the tied trade.

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First, rising overhead costs in the public house have to be incurred not to increase trade but merely to maintain it. Competition from modern social amenities and rising standards of hygiene demand ever better facilities and equipment. The chairman of a brewing company told his shareholders recently that a public house had been rebuilt at three times the 1939 cost.

> The result is an entirely uneconomic one for this company. There will be many similar cases where we shall be obliged to replace at great expense existing assets which will produce no better return than they do now.

And the brewer has not merely to replace, but also to improve and modernise.

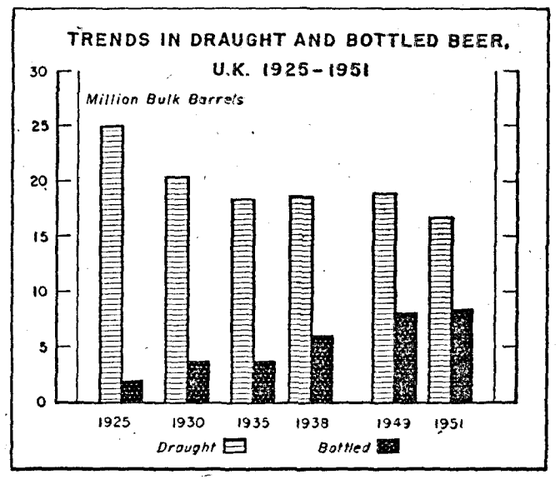
These high costs mean that some houses yield a very low or even a negative return on the investment. The cost of maintaining tied houses may, of course, be the cheapest way of selling beer. But if the costs of maintenance continue to rise, brewers must decide at some point how long they can continue to put into some of their houses new money that might better, in the public interest as well as in their own, be used to improve more promising houses or even the brewery plant itself. And in future, the building of public houses may well be controlled as much by the laws of supply and demand as by the laws of licensing.

The rigid controls imposed by licensing and its administration by the justices upon the operation of a public house are also significant in the brewers' choice of ways forward. They govern not merely its hours of opening and the ages of customers, but also its construction, layout, and amenities, and sometimes whether it is to be run by a tenant or a manager. Even its demise is not uncontrolled. At law the brewer is free to give up the licence of a public house if he cannot make it pay, although many unprofitable houses are maintained—partly out of a sense of obligation to the public. But in practice he is frequently not free to

cut this loss even if he so wishes in order to adjust himself to changes in the pattern of demand. Justices usually regard it as their own prerogative to declare a house redundant; the police may request that an uneconomic house should be kept open; and brewers are usually anxious to meet these authorities more than halfway. Whether these controls and restrictions on the brewers' freedom of action remain necessary or desirable in a period of increasing competition, their economic significance is clear; they make the tied house a rigid instrument for marketing beer compared with the flexibility of the free trade.

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Thirdly, the tenants who run five-sixths of the 60,000 public houses in Britain owned by brewers are not employees but independent business-men. The tenant is Mine Host of old, a friend of the "regulars"; and his business is also his home; when he gets past his best, he cannot lightly be replaced by a younger man. Brewers, also, put a high value on good relations with tenants in defence against political and temperance criticism; they sometimes tolerate inefficiency among a minority of tenants and neglect opportunities of developing club and other free trade. Increasing competition may force brewers to look for higher standards in order to improve service in the pub, or to deploy their tenants—the front line of the industry—more effectively.



In these ways public house trade and profitability might be maintained. But if the tied trade is becoming a more difficult and expensive method of winning sales, is advertising and infiltration into local brewers' markets easier and cheaper? Will investment in consumer persuasion pay better than investment in bricks and mortar? Until recent years, and with the exception of the three national beers, Bass, Guinness and Worthington, the markets of most of the 350 brewers were largely safe from outside competition. The high cost of transporting beer from brewery to public house limited the market of the typical brewer to about 40 or 50 miles around the brewery. Draught beer is bulky in relation to its selling price; it is also perishable and needs costly equipment in the public house; it therefore cannot be stocked in wide ranges and must be delivered frequently in small lots from a not-too-distant brewery. But this market structure has been to some extent disturbed by the trends toward free trade and bottled beer that together enable outside brewers to sell in local markets. Bottled beer has a longer shelf life than draught, it can be stocked in wider ranges, and it can be brought in from a longer distance; its transport costs are higher, but the customer seems prepared to pay them.

Brewers' markets may therefore be expected to overlap increasingly to the extent that advertising succeeds in building up consumer insistence for particular brands. Ind Coope and Whitbread, since the end of the war, have been expanding the markets for their beers nationally by advertising; their "Double Diamond" and Mackeson's Stout, respectively, are stocked increasingly in free outlets all over the country, and, in the last year or two, in some public houses owned by local brewers. Other firms are spreading regionally. Several in the South are exchanging beers with brewers in the North; Simonds of Reading have been spreading in the South-West and Wales; Tollemache are arranging with local bottlers to bottle and sell their beers in Lancashire, Yorkshire and Cornwall.

Yet infiltration has its own difficulties. Tied trade is assured, orderly, and unrushed; free trade is uncertain, highly competitive, and needs persistent and costly salesmanship. It is hard to win, and hard to keep. Clubs and other independent outlets may insist on very generous terms. And advertising needs a large outlay. The quicker way to expand sales in the short run, therefore, may be to acquire more houses. But its ultimate success cannot be as likely as in the old days; and business policy must be based on assumptions about the future. Unless there is sufficient reason to suppose that the trend towards free trade and bottled beer will not continue in the next ten or twenty years, public houses may need to be regarded as investments to be developed increasingly as catering establishments and community centres as well as outlets for beer. And brewers concerned primarily to find new markets for their beers rather than to extend their catering interests may consider infiltration a better gamble than buying more public houses.

Competition in the free trade may thus increase further; and it may stimulate defensive amalgamations. How far both will go depends on the reaction of the smaller firm. The high costs of improving public houses and modernising breweries and bottling plant, or perhaps the need to pay death duties, may induce more smaller firms to sell out. But the local firm has natural advantages in local trade that might perhaps be exploited more than they have been. It is in the centre of its market. Its transport costs are relatively low. It can keep in closer touch with its free trade customers. It may be better able to cater for local tastes. The growing firm, on the other hand, can try to meet local competition by decentralisation, but to achieve its major objective of maintaining or increasing output, it may ultimately have to centralise brewing. The economies of bottling on a very large scale might also outweigh the high costs of transporting to distant markets; if not, beer can be sent in bulk—in cask, or better still, in tanker—to local bottling depots. The balance of advantage is not certain; it remains to be seen whether the local firm can outbid outside beers by offering comparable beers at lower prices. Those that cannot may still survive profitably by selling outside beers and concentrating on developing their houses, as a few have done.

If the tied house has weakened as an outlet for beer sales it is partly because the dice have been loaded against it by licensing laws and by attitudes, inside and outside the industry, that lag behind social and economic change. Enterprise from brewers and tenants, assisted by realism from the justices and other authorities, may yet help it to recover some of its lost ground. But if the buying of houses continues for the present as a quick method of keeping up or expanding sales, growth by infiltration through the free trade seems likely to increase in the future.

Business Notes

Credit Conundrum

THE latest return from the clearing banks is unique in recent banking history. For the first time since 1931, an April statement reveals a perceptible decline in net bank deposits. The seasonal influence of the government's borrowings to finance the current Exchequer deficit at the end of the old fiscal year and the beginning of the new one—borrowings that were associated in 1952 with a rise in bank deposits by £31 million—has this time been wholly obscured by other special influences, and net bank deposits have dropped by £20 million, to £5,822 million. In the whole period since World War I, there have been only six April declines, and four of them were almost imperceptible.

The special influences have not, however, arisen from any contraction of credit demands from the private sector of the economy. On the contrary, the further heavy borrowings of the nationalised electricity and gas industries—and probably, too, a slightly more liberal attitude in bank lending policy—have contributed to a rise in bank advances by £16 million (compared with one of only £6½ million in April, 1952). And portfolios of commercial bills, which were shrinking rapidly twelve months ago, have continued the modest recovery that started towards the end of 1952. Investment portfolios, however, have contracted a little further. On the usual basis of reckoning, this increase in the demands of the private sector, when set beside the contraction in the total volume of credit, implies that the government has been repaying indebtedness to the banks, to the extent of about £35 million, whereas last year it was increasing its borrowings to the extent of nearly £70 million.

Since the seasonal "overall" deficit of the Exchequer during the most nearly comparable period was only a little less than last year (at rather more than £100 million) and since disclosed borrowings by the Treasury from non-banking sources were moderately larger, the main explanation of so large a disparity in the figures cannot lie in the sphere of purely domestic finance. An intriguing pointer can be discerned, however, in the fact that the month's decline in net deposits was wholly due to an extraordinary contraction—by nearly £50 million—in those of the National Provincial Bank (whose figures had previously been rising fast), and in the possibly related fact that Middle East banks have lately been heavy lenders of funds in London. This suggests that balances had been accumulated to meet abnormally heavy payments due to be made overseas, probably for oil, and that the making of these payments put a large but probably temporary strain upon Britain's external balance of payments during the period in question. The new overseas funds may be presumed to have flowed, directly or indirectly, into Treasury bills, so that the clearing banks' aggregate money market assets have fallen even more noticeably than their deposits have done. Indeed, this same special influence may have played an indirect part in provoking the fall in the Treasury bill rate at last week's tender—a fall that resulted directly from the discount market's effort to secure a larger share in the weekly allotment than it has lately done. The odd behaviour of bank deposits last month does not, therefore, portend a major change of trend—even though a subsidiary factor may have been the release of gilt edged securities through the (now suspended) "taps" of the authorities.

A Committee for Atomic Energy

THE Prime Minister's decision to separate the control of atomic energy and all that it implies from the Ministry of Supply, and to hand it over to a new and novel type of organisation, is the first step towards making up the ground that Britain at one time seemed in danger of losing in this uncharted territory of atomic physics. Under the Ministry of Supply, a pilot organisation has been built up capable of producing enough fissile material for the Monte Bello explosion of last autumn and providing the research facilities and the finance that made such an explosion possible. But it has been apparent for some time that the organisation must be expanded, and expanded quickly, if some of the ground lost—in atomic propulsion in particular—is to be made up. The scale on which the development will have to be undertaken makes it peculiarly unsuited to control by a Government department. The building, running and staffing of so vast a project cry out for the administrative techniques used in industry.

The principal weakness of the British method of organisation has been that it excluded not only industrial methods, but also industry itself, from participation in development. There has been no opportunity for anyone outside the Ministry of Supply's establishments to acquire the "know-how" associated with nuclear physics or with applied atomic energy. How great a handicap this may have imposed upon the power engineers, the aircraft and aero-engine designers, the chemical industry, and the ship-builders will become apparent only in the future; but some of those close to the aircraft industry are already seriously concerned with the retarded state of work on atomic propulsion of aircraft in this country by contrast with the work done in the United States.

It is clear that the Prime Minister had these points in mind when he said that "the form of non-departmental organisation appropriate in this case will differ from any existing model" and that a body on the lines of any of the nationalised corporations is clearly unsuitable. In the United States, a semi-autonomous Atomic Energy Commission, its budget voted by Congress, controls policy and owns vast plants and research stations. But it does not concern itself with their day-to-day administration, which is carried out by various companies on an agency basis. Both in the results achieved and in security, the American experiment must be counted a success. The committee to be set up under the chairmanship of Lord Waverley to work out a suitable form of organisation is not expected to require much time to come to a conclusion.

The Comet and the CAB

MR Lennox Boyd had no contribution to make on Wednesday to the now heated Anglo-American dispute about the eventual airworthiness of the Comet IIIs ordered by Pan-American World Airways; but he did, in re-stating the main issues, clear away much of the confusion that has surrounded the controversy in recent weeks. Pan-American expects delivery of the Comets in 1956, and would have liked to have known by last Thursday, at the latest, that the aircraft would be accepted as airworthy in the United States. The Comet III has not flown, so there can be no question of the granting of any certificate of airworthiness anywhere for a matter of years. But the American Civil Aeronautics Administration (the licensing branch of the Civil Aeronautics Board) was asked to undertake to accept a British certificate of airworthiness for the Comet III, should such a certificate eventually be granted. This the CAA has refused to do, pleading that since there were no American standards for turbine aircraft in existence, its duty to the American public prevented it from accepting those of any other country.

The Americans have therefore refused to negotiate any agreement on the Comet III, and the discussions have reverted to contentions that were fully but abortively debated more than three years ago—the airworthiness requirements of turbine-engined aircraft. The American views, in theory, on these requirements differ widely from the requirements that the British Air Registration Board has already laid down and applied to the Comet I and the Viscount. The points of difference range from key aerodynamic considerations about the position of the engines (the Americans do not like to see them buried in the wings) to the shape of the control knobs in the cock-pit.

A technical team from the CAA was expected to come to this country to examine British methods. But since the general feeling is that it will come with the intention, not of negotiating, but rather of learning what cannot be learnt in the United States, the reception given to the team by the British industry might be a little distant. It is difficult to see how an American agreement to accept a British certificate for one particular aircraft would in any way commit the Americans when they come to drawing up their own requirements for turbine-engined aircraft. For some years, the British have accepted American certificates although they embody certain features, particularly in their fire requirements, that would never be agreed to in this country. The Americans cannot be surprised if their refusal is interpreted as meaning that a British certificate of airworthiness is not safe by American standards. Although the British view is that further discussions are hopeless, Pan-American, one of the main parties concerned, takes a more philosophic view. The company wants its Comets, and it might be that a little lobbying at home could succeed where representations from this country on a higher level have so far failed.

Finance Bill Provisions

THIS year's Finance Bill should give a minimum of trouble—certainly far less than last year's, which was radically changed in mid-course. Details of the necessary changes to give effect to the Chancellor's tax proposals (set out in *The Economist* of April 18th) are, on a first inspection, of an unexceptionable character. There is one matter not then commented on that should be mentioned: the transfers of local authority stocks issued at any time from the beginning of 1953 will attract single stamp duty only, as from August 1st next.

The provisions relating to partnerships, which have been evoked by the *Osler* v. *Hall* decision and its consequences,

Trade with the East

The Chartered Bank of India, Australia & China, celebrates this year the centenary of its incorporation by Royal Charter. Merchants and manufacturers are invited to view the Bank's Centenary Exhibit at the British Industries Fair and to avail themselves of the Bank's services.



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LIMITED

EXTRACT FROM CHAIRMAN'S STATEMENT DATED 1st MAY, 1953.

Summary of Group Balance Sheet at 31st December, 1952.

	£	£	£
Fixed Assets (after cumulative depreciation of £459,112)		841,453	
Current Assets	1,763,520		
Less Current Liabilities	588,575		
		1,174,945	
			£2,016,398
Represented by:—			
Issued Capital:			
Preference (inc. Rhodesian)	191,038		
Ordinary	341,161		
		532,199	
Capital and Revenue Reserves		1,158,739	
		1,690,938	
Unsecured Loan Stock 1955/60		100,000	
Future Taxation and Pension Reserves		222,164	
Outside Shareholders in a Subsidiary Company		3,296	
			£2,016,398

Summary of Group Profit Appropriations.

	£	£	%
Taxation		238,528	54
Dividends:—			
Preference	5,014		
Ordinary	53,733		
		58,747	13
Retained Profits		139,671	33
		£436,946	100
Group Total Net Preference Capital		£191,038	
Net Assets Cover		9 Times (Approx.)	
Dividend Cover		40 Times	..
		Whitehead	Rhodesian
Preference Share—middle Market Price on 22nd April, 1953		16/7½	12/6
Dividend yield		6%	8%
Ordinary Share Capital in 1s. Shares		£341,161	
Represented by Net Assets (less Preference Capital) at book value of		£1,499,900	
Value per share		4s. 5d.	
Earnings less taxation and Preference dividend		£193,404	
Ordinary Dividends		£53,733	
Middle Market Price on 22nd April, 1953		2s. 6d.	
On which the Dividend yield is		12%	

appear closely to follow the recommendations of paragraph 72 of the first Millard Tucker report. They will, no doubt, be variously regarded, in some quarters, as the "junior partner's charter" and in others as a licence for any partner, junior or senior, who is captious enough to take advantage of the clause without carrying his colleagues with him in support. The termination provisions for EPL are short and simple—much more so, indeed, than the special provisions that are being made to secure that distributions by steel companies in connection with denationalisation are not penalised by profits tax. A certificate from the Treasury will, in particular, enable a distribution in the form of redeemable preference shares to be made without falling under the penalties of Section 31 of the Finance Act, 1951, for liability to profits tax.

Textiles and the BIF

THIS is one of the years when, by tradition, textiles dominate the London section of the British Industries Fair, although many of the traditional leaders of the industry are beginning to wonder whether the extra business they do there justifies the expense of exhibiting. At the 1953 Fair that opened this week, some of the best known names in textile finishing, many of the most successful weavers, and such giants in the rayon industry as Courtaulds and British Celanese are missing, and comparative newcomers to textiles, such as Imperial Chemical Industries and British Nylon Spinners are prominent. Both companies are bringing new plants into production within the next twelve months, and both have chosen the opportunity offered by the Fair to make an all-out effort to build up markets for their new fibres. British Nylon Spinners' production will be trebled, rising from 10 to 30 million pounds of yarn a year, while ICI's "terylene" plant, at present producing sample quantities of about 600,000 pounds a year, will be turning out 11 million pounds of yarn. ICI's other textile venture, the protein fibre "ardil," is already in full production at the rate of 20 million pounds of yarn a year, and markets for this product, despite its similarity with wool, are no easier to develop than those of the chemical synthetics.

Companies such as these, being yarn producers only, are dependent upon the co-operation of the mills to develop and market the finished fabric; and the frictional inertia that they are bound to meet in selling a new unknown laboratory product in Lancashire and Bradford is clearly irksome. To yarn producers in this position, a big exhibition provides their best, and probably their only opportunity, of demonstrating the fibre in the way in which they believe it should be used by trade customers—by commissioning sample cloths, garments and industrial textiles made and dyed to their own specifications. Older members of the textile industries may no longer feel the need for this form of promotional selling, but the textile recovery hardly seems so complete that they can afford wholly to ignore so important a shop-window. If they dislike the heavy expense of exhibiting individually—and many Lancashire companies, big and small, still appear to think it worth while to do so—then co-operative stands such as those organised by the wool industry would seem better than no appearance at all. Such a policy may foster the opinion that the companies concerned have nothing new to offer.

Record Rayon Output

THE leaders of the rayon industry may have decided not to support the British Industries Fair, but they have not ignored it so completely as some other prominent members of the Lancashire textile industry have done. Courtaulds has what amounts to a small private show in Manchester and British Celanese has one in London, while the Rayon Federation, which has contented itself with an inquiry stand at Earls Court, is holding quite an ambitious exhibition of rayon fabrics, representing nearly 30 companies, at its new Piccadilly offices. As a matter of prestige, the rayon industry may not have been wise in leaving the field at Earls Court so completely to the traditional fabrics such as cotton, with their greatly improved finishes, and to the newest synthetics. But the present level of demand for rayon suggests that the industry has not much to fear—at the moment—from their competition. The production figures recorded in March, 36.3 million pounds of rayon, are the highest yet recorded, indicating that the industry is working to full capacity. By contrast, production of cotton yarn is running at about 3 million pounds a week below the weekly average of 18 million pounds of yarn recorded before last year's textile slump, while consumption of wool in Bradford is running at the rate of 41-43 million pounds a month compared with the peak figures of 45 and 46 million pounds recorded in 1950. The present heavy demand for rayon, and especially for rayon staple, has arisen because producers were slow to bring plants closed last summer back into production. It is, therefore, not easy to say whether it will continue once the immediate backlog of orders has been met. But rayon remains the cheapest textile fibre on the market; whilst the newer synthetics are technically superior to it—perhaps even to the extent of making up for the great difference in selling prices—their combined output when the new plants are in full production will amount in a year to less than two months' output of rayon.

ICI's Profits

UNDER an accounting system by which income from stock appreciation has to be included—and is taxed—with profits from trade itself, published profits are not always what they seem. No finer example of this pitfall can be found than in the reception accorded in the stock markets to the preliminary profit figures published by Imperial Chemical Industries last week. Immediately after the news that ICI's dividend had been maintained at 13 per cent on the ordinary capital of £70,651,162 (as increased by the rights issue at the beginning of 1952) but that its consolidated profits had fallen from £49 million in 1951 to £39.8

million in 1952, the £1 ordinary stock units were marked down 10½d. to 43s. 4½d. On the expectation of a decline in earnings these units had been a weak market for some time; they were poised and prepared for a further drop immediately after the preliminary announcement. But after a few hours of more mature consideration investors reversed their earlier judgment and on the following day the units completely recovered their earlier loss; by Wednesday evening these stock units had risen to 45s. to offer a yield of 5¾ per cent.

Initially the market had taken far too gloomy a view. The directors' announcement shows that ICI's sales actually increased in value by £13.5 million in 1952, to the record figure of £276.3 million, in spite of a sharp decline in activity in the third quarter of last year. This decline, which was associated with the recession in the textile industries and with import restrictions in many overseas markets, inevitably led to an increase in costs of production (particularly, of course, in the burden of overhead costs); coupled with a decline in the profits of certain marketing subsidiaries overseas and with last year's fall in raw material prices (which forced the group to write £2 million off stock values) it made the drop in total earnings inevitable. But, as the directors are at great pains to point out, the published profits of £39.8 million in 1952 are much more real than those of £49 million in 1951, when income was automatically inflated by the rise in prices. In fact, profits last year do not, in the directors' words, "contain any significant amount due to the inflation of price levels"; as a direct result—and for stockholders this is a most encouraging sign—only £700,000 (compared with £7 million in 1951), has been transferred to stock replacement reserves. In these circumstances the fall in profits loses most of its sting—especially as the directors are able to report that there had been a considerable improvement in trading by the end of last year.

I.C.I.'s SALES AND PROFITS

Years to December 31,	1950	1951	1952
	£	£	£
Gross sales	220,800,000	262,800,000	276,300,000
Gross profits	39,713,280	48,950,393	39,755,729
Depreciation	8,694,823	8,892,892	10,138,595
Taxation	12,455,692	16,557,129	13,816,787
Net profit	*17,956,945*	*22,738,785*	*15,082,972*
Ordinary dividends	3,860,581	4,133,092	4,963,244
Ordinary dividends (per cent)	12	13	13
Retained by subsidiaries	1,113,033	2,356,237	1,584,016
Initial allowances reserve	2,960,000	2,944,000	...
Obsolescence & replacement reserve	5,000,000	5,000,000	5,000,000
Stock replacement reserve	4,000,000	7,000,000	700,000
General reserve	...	...	2,000,000
Added to carry forward	96,339	420,600	*Dr 49,144*

Background For Film Policy

WHETHER or not they considered the Eady Levy desirable in principle as a method of giving British film production a reasonable chance of profit, most people in the cinema industry—including the producers—have assumed up to now that in practice, at least, the levy did work. The National Film Finance Corporation's annual report last year provided perhaps the strongest basis for that assumption; but this week the corporation has produced some disappointing evidence to question it. In its 1951-52 report, the corporation felt able to conclude that the levy (charged on cinema seat prices to assist the producers) had

> . . . made it possible to invest new money [the most risky part of film capital] with profit, provided the investment is spread over a fairly large number of films and provided an arrangement is made for setting off losses against profits.

This year that confidence seems to have gone. The levy, the corporation feels, may not be providing enough to make production, even taken as a whole, a paying proposition. It has, certainly, tipped the scales for some of the films that the corporation financed:

	1951	1952
No. of films released	34	34
No. likely to be profitable	16/17	15
No. likely to be profitable without Eady Plan	13	8
No. of losses on 70% distribution guarantees	9	13
No. of losses on 70% distribution guarantees without Eady Plan	21	20
Aggregate cost likely to be recovered	106%	99%
Aggregate cost likely to be recovered without Eady Plan	73%	69%

But costs, 3-D prospects, television, and the unwillingness of the exhibitor to see his trading margins narrowing may all tell against the producer:

> Only the two big combines—the J. Arthur Rank Organisation and the Associated British Picture Corporation—and some small distribution companies seem likely to be as independent of Government assistance at the end of the Corporation's life as they were at its beginning.

That end is less than twelve months off. The corporation, as now constituted, is due to cease making loans for film production in March, 1954.

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In the year ending March 31st the corporation earned £121,559 in interest and fees received on loans and completion guarantees for film production, and this total exceeded its expenses by £87,495. However, against the £151,654 that it received in addition as its share of profits upon successful films, it had to make provision for £285,000 for losses upon failures. It ended up, therefore, with a net loss of £45,851. This was largely accounted for by the sharp downward revision of estimates of earnings for a number of the films financed by the corporation. In particular, further provision had to be made for losses on one film made specially for the Festival of Britain, which the corporation had financed for not wholly commercial reasons; the further provision on this film accounted for virtually the whole of the net loss of the corporation in 1952-53. The outlook for film production, provided with working capital by the Government and with its earnings enhanced by the levy, therefore, may not be quite as doleful as the tenor of the report at first suggests. But the report does emphasise the risks inherent in any film policy—usefully, since the Government will soon have to formulate one.

The Coal Board's Borrowing

BETWEEN 1948 and 1951 the National Coal Board was able to cover all its capital investment by "self-financing"; but last year, it has now been disclosed, the board began borrowing again from the Ministry of Fuel and Power. The board's powers of raising new money differ slightly from those of the electricity and gas industries, which make periodic issues of stock in the London market; it enjoys perhaps even greater convenience in obtaining funds. It has power to obtain advances from the ministry for "expenditure properly chargeable to capital account, including working capital"; the total amount obtainable was originally set at £150 million, but in 1951 was increased to £300 million, of which not more than £40 million may be advanced in any year without Parliamentary approval.

In 1947, the first year of nationalisation, the board borrowed just over £41 million, of which it repaid £8 million the next year. Of the remaining £33 million, £20 million was funded for repayment by 50-year annuities at long-term rates of interest. The remaining £13 million has been on loan to it at short-term rates of interest for five years (though the board's banking arrangements with the Bank of England allow for the use by public funds on a day to day basis of any sums in excess of an agreed daily balance for the NCB). Between 1948 and 1951, the board provided the whole of its £117 million of capital investment from its own resources. By the end of that period its needs had began to outrun its own capital resources; it borrowed £11.5 million during January and February that year and has since obtained advances totalling about £37.5 million. At the end of March this year, it owed a total of £80,996,606. The recourse to borrowing has accompanied a welcome though still moderate increase in the industry's rate of physical investment; since more than a third of its planned expenditure under the long-term investment plan was expected to come from "outside," the total of advances from the Ministry is likely to grow.

Petroleum Prices Lowered

DEMAND for petroleum products, in general, no longer exceeds supply, and this week their prices in Britain have been formally freed from Government control and, simultaneously, reduced. The reduction in home prices, which followed cuts in bunker prices, reflects the low level of tanker freight rates. Rates in the London spot tanker market have shown no sign of the usual seasonal increase during the past winter; and on April 1st the notional time charter rate "awarded" by the London Tanker Brokers' Panel was cut almost in half (from 42s. 3d. per deadweight ton per month, for a standard 12,000-ton motor-tanker on two-year charter, to 22s. 3d.). This award, made twice yearly, is an estimate designed to iron out some of the wider fluctuations of the spot tanker market rate; its main purposes are to serve as a basis for the negotiation of time charters and for the calculation of changes in the freight element in petroleum prices. Its link with the actual freight element in the costs of any company is inevitably tenuous. The major companies operate large tanker fleets of their own as well as chartering many independent vessels, and in slack periods such as last autumn may even offer their own tankers for charter; the freight element even in crude costs will vary from time to time and from company to company.

The latest cuts in the prices of petroleum products—ranging from 14s. 6d. to 24s. 6d. a ton for bunker oils and from ¼d. to 1d. a gallon for the chief products in the home trade—represent about three-quarters of the extent that the notional "freight element" has fallen. The remaining quarter has been offset by rises in other costs, some of them considerably delayed. These include wages, rail freight rates, and the costs imposed upon the oil companies' road tanker fleets by last year's increase in fuel tax.

Government control of prices for petroleum products was brought into force when the Petroleum Board was dissolved five years ago. So far as petrol is concerned, it has applied since February this year only to the standard grades that succeeded "pool" spirit; prices for the premier grades introduced then were not controlled. This week's reductions bring "inner zone" prices for the standard grades down to 4s. 2d.; prices for most premier grades down to 4s. 5d., and prices of the more expensive ones down to 4s. 6d. a gallon.

A Fighter for the Navy

THE new Vickers-Armstrongs fighter that has just been ordered in "substantial" quantity for the Navy will provide the aircraft carriers with their first really modern aircraft. Since the war, the Navy has come a poor second, so far as development has been concerned, to the Air Force. Most of its machines have been adaptations of those designed primarily for other purposes, and this is one of the few intended from the start for carrier operation. In March, the First Lord of the Admiralty, reviewing the Navy's inadequate air arm, announced that a new and then unidentified swept-wing fighter with a remarkable rate of climb had been ordered. The predecessor of this aircraft, the Supermarine 508 which first flew in 1951, had exceptionally thin, straight wings, a concession then to the difference between landing on a carrier and on an airfield. Other features of the 508, the "butterfly" tail and the two Rolls-Royce Avon engines, have been retained. This is a remarkable amount of power for a fighter aircraft; the supersonic Swift and Hunter have each a single Avon. Only the radar-equipped Gloster Javelin night fighter and the spectacular de Havilland 110 have had power similar to the new fighter—an indication of the kind of performance that the Navy expects and also, perhaps of the weight of equipment that the new fighter may have to carry.

Majority for Wheat Agreement

DESPITE Britain's bold decision to remain the odd man out, the new three-year International Wheat Agreement now seems likely to come into force on August 1st next. Forty-one of the forty-two importing countries under the old agreement have agreed to the new terms; the only exception is Britain, which accounted for 39 per cent of the imports under the old agreement and which believes that the new maximum price of $2.05 a bushel is too high. All four of the exporting countries on the International Wheat Council—the United States, Canada, Australia and France—have signed, although France has reduced its export quota, protesting that the new maximum price is too low. The agreement now requires ratification before July 15th by countries accounting for 50 per cent of the trade under it.

The main feature of the new IWA is that it stipulates a new minimum price of $1.55 a bushel and a new maximum price of $2.05 a bushel, compared with a minimum of $1.20 and a maximum of $1.86 under the old four-year agreement that expires on July 31st; hitherto virtually all transactions under the agreement have taken place at or near the maximum price. The new agreement, however, also makes some variations in the amounts that the exporters can call on the importers to buy at not less than the minimum price and that the importers can call on the exporters to supply at not more than the maximum price. A summary of the new allocations—showing the changes from the old—is given in the accompanying table. If the agreement is ratified, the new Wheat Council will have to consider applications for membership from several importing countries, not at present within the agreement; and it will also have to set about the disposal of approximately 4¾ million tons that would have been guaranteed to Britain and the colonies if they had not contracted out of the fold. The stage will then be set for a critical poker game. Two of the most interested players in it will be Britain, playing a lone hand outside the agreement and with its wheat trade in course of transfer to private enterprise; and Australia, hitherto the largest sterling seller of sterling wheat to a number of wheat hungry sterling buyers.

GUARANTEED ANNUAL IMPORTS AND EXPORTS UNDER THE NEW IWA

(Metric tons)

To	Imports	
	Expiring Agreement	New Agreement
Foreign countries	8,610,963	8,879,000
Commonwealth and Eire	2,380,000	2,510,000
Total	10,990,963	11,389,000
Britain and colonies	4,819,000	...
Grand total	15,809,963	11,389,000
From	**Exports**	
USA	6,889,008	7,353,000
Canada	6,395,653	6,804,000
Australia	2,414,019	2,041,000
France	111,283	10,000
Total	15,809,963	16,208,000

The Holborn Giant

THE investment policy and the profits experience of the Prudential always attracts and deserves close interest in the insurance industry—and indeed in the stock markets as a whole. "In the light of the continuation of the higher general level of interest rates" the Prudential has now decided to raise to 2½ per cent the net rate of interest that it assumes will be earned in the future on the reserves of both its ordinary and industrial life branches; previously it had assumed the ultra-conservative net rates of 2 per cent and 2¼ per cent respectively on the assets of these two branches. After these changes, and despite a depreciation of the market value of assets that seems to have been of the order of 3 per cent, the 1952 balance sheet shows total assets at the mammoth figure of £664.9 million. This figure is struck after writing off £20.9 million, of which £9,750,000 was released from the actuarial reserves of the ordinary life branch by the change in the valuation basis and £9,500,000 was similarly released from the reserves of the industrial life branch; the total assets of these branches at the end of the year were £269.3 million and £369.2 million respectively. The balance sheet certificate states that the book values of the assets at the end of last year were in the aggregate less than the middle market prices of quoted Stock Exchange securities and the directors' valuation of other assets (after taking the branch contingency funds into account).

In all, the balance sheet total increased during the year by £19.3 million. British Government securities fell by £5 million to 42.9 per cent of total assets, compared with 45.0 per cent in 1951 and 47.4 per cent in 1950. Ordinary shares rose by £9.9 million to 11.4 per cent of total assets, debentures by £5.9 million to 13.8 per cent, mortages by £5.0 million to 5.4 per cent and properties by £7.9 million to 9.6 per cent of total assets. This change in the pattern of assets, including the substantial increase in equities, is in line with the investment policy of most other life offices last year.

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These changes follow another year of expanding business. New business in the "Pru's" ordinary life branch rose by £11.5 million to £119.1 million, including increases under existing group life assurances; excluding such increases, new business, at £112.0 million, was 4.1 per cent higher than in 1951, compared with an average increase for all other offices that have reported so far of about 3½ per cent. In the industrial life branch the

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rate of expansion was rather lower than that of the other leading industrial-cum-ordinary offices; new sums assured were £78.4 million compared with £77.9 million in 1951. The proportion of the Prudential's new ordinary life assurance business transacted overseas continues to increase; last year £45.9 million of the new sums assured were underwritten abroad (including the Republic of Ireland), and thus accounted for 38.5 per cent of the total new business (compared with 36.6 per cent in 1951). Together with most other offices that declared reversionary bonuses as at the end of last year, the Prudential was able to raise its rate of bonus, by 4s. to 34s. per cent of the sum assured for United Kingdom business.

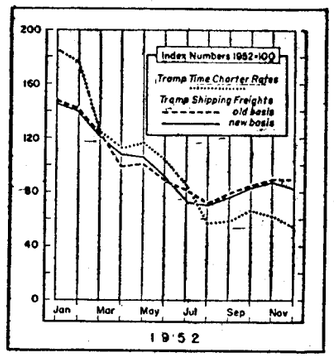
Copper Price Cut

THE easing of open market copper prices in the United States and on the continent earlier this month led to an expectation that the Ministry of Materials would lower its selling price; but this had to await the re-negotiation of the Ministry's buying price with its Rhodesian suppliers. The expected reduction came at the end of last week; and the Ministry's selling price for electrolytic copper delivered consumers' works is now £253 a ton, a cut of £27 a ton.

The Ministry also took the occasion of its talks with the Rhodesian producers to alter the basis of its buying price. With the abandonment of price control of copper in the United States in February, the New York price can again be taken as a fair reflection of world prices, and the Ministry has accordingly now abandoned its fixed buying price and gone over to an arrangement based on average American prices. Fifteen days' notice of price changes must still be given, but the price the Ministry pays may alter according to world price movements much more rapidly than in the past, and its selling price will be subject to more frequent changes. One consequence of this greater flexibility is that when copper dealings are handed back to the London Metal Exchange the Ministry's selling price is likely to be more in line with world quotations.

Revised Freight Index

THE expert sub-committee set up by the Chamber of Shipping to examine its index of sterling tramp freight rates has now made recommendations for a revision to bring this into line with the postwar pattern of trade, and has proposed that a parallel index of time charter rates should be compiled; it decided that an index of operating costs would not be practicable. Since 1949, the monthly voyage rate index has been calculated on the base 1948 = 100, but the trades taken into consideration and the weights allocated to commodities and routes were still based on the experience of 1935. The new index will be based on the results of an inquiry into the employment of United Kingdom tramp ships during 1951. The returns, which were about 85 per cent complete, showed that 90 per cent of the total freight was earned in the carriage of coal, grain, sugar, ore, fertilisers, timber and esparto; these are the same as in the previous index, except that esparto is substituted for iron, steel and scrap. The weightings, however, have been changed, the importance of timber and sugar having increased and that of coal and grain having considerably decreased. A considerable amount was earned during 1951 in the carriage of coal from the United States to Europe, but this has been excluded from the calculations as "a temporary factor." Because freights were abnormally high in 1951 (partly as a result of this unusual movement), it has been decided to make 1952 the base year for the new index number. While the weighting of the index is based on the pattern of employment of British tramp ships, all fixtures in sterling in the relevant trades, which may not necessarily touch the United Kingdom, are used for compiling the index.



The 1951 inquiry into tramp ship employment revealed the interesting fact that more than half of the British tramp fleet in that year was engaged on time charter. Examination of the movement of time charter rates showed that they did not necessarily follow the same pattern as voyage rates. Many different factors affect the rate of freight on time charter, such as the size, speed and method of propulsion of the vessel, the owner's and charterer's opinion of the likely changes in market conditions over a period of time, and the distance between ports of delivery and re-delivery. The new time charter index, therefore, will take into account only fixtures for vessels of 8,000 tons deadweight and over, chartered for round voyages or for periods not exceeding nine months, fixtures being excluded in any event when ports of delivery and re-delivery are widely separated. It is expected that monthly publication of the new time charter index will begin in July, and it will be interesting to compare the different trends of the voyage and time charter indices.

New Managers for Wankie

THE decision to transfer technical control over the Wankie Colliery in Rhodesia, from Powell Duffryn to the Anglo-American Corporation, was unexpected—indeed, even abrupt. But there is an undeniable logic in it. Powell Duffryn had extensive coal mining interests in Britain before nationalisation; the Anglo-American Corporation, through Rhodesian Anglo-American and its other subsidiaries, has interests spread across southern Africa from copper mines in Northern Rhodesia to coal mines in the Cape. Coal mining practice and organisation in South Africa are so different from those in Britain that Powell Duffryn—even though for the last year it has acted through a Rhodesian subsidiary on the spot—may have found it difficult to manage operations there, and to arrange for the appointment of suitable supervisory staff and for the recruitment of native labour. In addition, the switch in management will accord with the well-known desire of Rhodesians for local control of their own economic resources. The change will be effected (subject to the consent of the Treasury) by the issue by Rhodesian Anglo-American of 250,000 of its 10s. reserve stock units in exchange for Powell Duffryn's holding of 800,000 shares of 10s. each in Wankie Colliery, and by the acquisition by the Anglo-American Corporation of Powell Duffryn's entire shareholding in Powell Duffryn (Rhodesia) Limited in exchange for 70,000 10s. reserve stock units in Rhodesian Anglo-American.

In the three years in which Powell Duffryn has been in the saddle, production in the Wankie coal mines has been raised by nearly 50 per cent to its present level of over 2,750,000 tons a year. Even so, this output is not sufficient to meet the demands of the Northern Rhodesian copper belt and other Rhodesian consumers—for which Wankie represents the sole local source of supply. At the moment demand is running at about 3,100,000 tons a year and it is expected to increase to 5,000,000 tons by 1956. If output is raised to this level (and, incidentally, this will have to be accompanied by an improvement in rail communications between Northern and Southern Rhodesia) more capital will have to be sunk in Wankie Colliery. Here again the wide experience and the strong resources of the Anglo-American Corporation could be decisive.

SHORTER NOTES

Industrial production in February, according to the official index of industrial production, is provisionally estimated to have been 120 (1948 = 100). This compares with figures of 118 in January and of 120 in February, 1952, but is still two points lower than in February, 1951. The index figure for March, on the basis of information so far received, is expected to be 120-121—which compares with 123 in March, 1952, and 116 in March, 1951.

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The new London futures market in wool tops began business on Wednesday. The basis for dealing is the Bradford 64s B Top, and the first day's turnover was 56 contracts of 5,000 lb, representing total money transactions of about £180,000. The first business was done at 158d. a lb for September delivery. The closing call for September was 159½d.; October quotations were around 140d. The London prices were a little below those of Bradford. The market will operate three calls, one in the morning and two in the afternoon.

Company Notes

VICKERS. Equity shareholders in Vickers—at the end of last year there were 35,495 of them—will read Sir Ronald Weeks's detailed factual survey of the group's industrial activities with close interest, but also with some disappointment. Throughout its sixteen profusely illustrated pages there is no reference to the group's financial experience last year or to the very substantial switch in its investment holdings, which was discussed in some detail in these columns a week ago. Even more disappointingly, Sir Ronald gives no hint about the attitude of Vickers's directors towards the possible repurchase of English Steel after its denationalisation. Perhaps Sir Ronald will have more to say at the annual general meeting three weeks hence, but until then shareholders will have to remain content with the knowledge that the present structure of assets led last year to bigger profits, a bigger dividend and to reassuring signs of expansion in the balance sheet. Apart from the shift in investment holdings, the most significant change in the consolidated balance sheet is the increase in the book value of stocks and work in progress from £59,252,719 to £77,826,805; this certainly indicates a rising tempo of production, but it has not imposed an impossible strain upon the group's resources as there has been a parallel increase in "instalments on account of contracts" from £40,060,674 to £53,302,353.

Consolidated earnings	Years to Dec. 31, 1951	1952
	£	£
Trading profit*	7,053,951	8,274,504
Total income	8,295,276	9,646,239
Depreciation	1,302,575	1,575,746
Taxation	4,434,606	4,003,645
Net profit	*2,072,872*	*2,844,638*
Ordinary dividends	808,204	1,008,331
Ordinary dividends (per cent)	12½	15
Revenue reserves	604,495	131,092
Added to group carry forward	378,504	1,578,342
Cons. balance sheet analysis:—		
Fixed assets, *less* depreciation	16,238,634	18,627,677
Net current assets	46,101,632	46,761,456
Stocks	59,252,719	77,826,805
Cash	4,115,987	7,021,011
Reserves	39,273,464	40,489,727
Ordinary capital	12,315,484	12,315,484

£1 ordinary stock at 47s. 8d.xd yields £6 7s. per cent.

* Including credits relating to earlier years (1951: £639,000 1952: £501,000).

The tempo of production has not, however, risen in all branches of Vickers's activities. Sir Ronald reports a reduction in sales of certain light engineering products, particularly those used in industries closely in touch with the consumer. Production at the Metropolitan-Cammell Carriage and Wagon works was also continually held up; throughout most of 1952 this was due to the shortage of steel, but in the last few months the intake of orders—70 per cent of which are for export—has fallen off, largely as a result of "exchange difficulties" in overseas countries. But the slackening tide of production in one sector of the group's business last year was overcome by the rising flood of orders and sales for aircraft and heavy engineering products. Even if rearmament expenditure falls, it may be in this sector of the group's activities that the best hope of extending profits will lie.

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FORD MOTOR. The remarkably stable figures of production and profits already reported by Ford Motor for 1952 (and discussed in these columns on April 4th) are shown by the full accounts to have masked a whole complex of changed conditions for the company—and perhaps for the industry as well. Broadly, both profits (after depreciation) and the number of vehicles sold in 1952 were within one per cent of the 1951 figures; the value of the group's sales increased from £70.2 million to £83.9 million (largely as a result of increased sales of such higher priced vehicles as the Zephyr models, diesel tractors and military trucks), but average profit margins were lower as the company made a general cut in prices in the middle of the year. These figures, however, conceal a substantial shift in the pattern of trade: unit sales abroad declined by 13 per cent and unit sales at home rose by 29 per cent. Incidentally, despite last year's import restrictions, Australia is still Ford's principal overseas market.

It is not surprising, therefore, that the chairman, Sir Rowland Smith, devotes much of his statement to a discussion of prospects in the domestic market. He believes that the last arrears of demand accumulated here since the war will soon be cleared up and that "the whole industry will again be on a fully competitive basis during the year 1953." Moreover, he reports—rather surprisingly—that Ford's rearmament orders have now been completed. Against this, however, sales in the first three months of this year were higher than those in the corresponding period in 1952, and the company has already prepared itself for a return to more competitive conditions. These preparations have included the reduction in prices, the introduction of a new tractor and, more recently, the plan to absorb Briggs Motor Bodies into the group. The cost of a car body represents about 40 per cent of total costs in manufacturing a car, so that the purchase of Briggs Motor Bodies may put Ford Motor into a strong position if any price war breaks out in the industry—

	Years to Dec. 31, 1951	1952
Consolidated earnings:—	£	£
Trading profit	11,203,715	11,797,028
Total income	11,871,821	13,095,518
Depreciation and obsolescence	1,302,740	2,318,331
Taxation	5,461,679	5,751,352
Net profit	*3,984,512*	*3,029,526*
Ordinary dividends	708,750	708,750
Ordinary dividends (per cent)	15	15
Replacement reserves	2,750,000	2,500,000
Added to group carry forward	785,449	451,244
Cons. balance sheet analysis:—		
Fixed assets, *less* depreciation	16,457,165	16,523,901
Net current assets	22,408,955	25,350,175
Stocks	13,122,674	13,756,035
Cash	3,198,572	8,370,543
Reserves	26,947,980	29,956,080
Ordinary capital	9,000,000	9,000,000

£1 ordinary stock at 55s. 7½d. xd yields £5 8s. per cent.

although shareholders should note that it may be some time before the merger leads to any real technical economies in production. But Ford Motor is now well equipped to operate with trimmed sails if the need arises, and arise it may.

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BRISTOL AEROPLANE. Ordinary shares in the aircraft industry, whose fortunes depend a great deal upon the flow of Government orders, have been one of the weakest features of the stock markets since the death of Stalin; indeed, since the beginning of March the *Financial Times* index of aircraft equity shares has fallen by about 16 per cent, compared with a fall of just over 3 per cent in "blue-chips" as a whole. In these circumstances, the big increase in ordinary dividends announced by Boulton Paul and the very small increase announced by Bristol Aeroplane have been regarded as a reflection of past performance and not as encouraging augurs for the future. Boulton Paul increased its dividend from 10 to 15 per cent, in line with an advance in gross profits from £94,022 to £107,744. Bristol Aeroplane effectively raised its ordinary dividend (once allowance has been made for the bonus issue of shares made last January) from 13½ to 14 per cent —by announcing a rate of 10 per cent on the revised capital of £4,620,000. This increase was made in the knowledge that in the year to December 31st Bristol's trading profits had risen from £1,930,289 to £2,316,427, but that its net profits—thanks largely to a bigger provision for depreciation—had fallen fractionally, from £566,573 to £563,829.

Bristol's increased dividend also follows a year that witnessed a depletion of its liquid resources. The group's cash balances have fallen from £2,743,241 to £696,458 and this balance is almost completely offset by a bank overdraft of £682,120. The reason for this strain upon liquid resources can be found in the increase in the book value of stocks and work in progress from £6,148,232 to £9,354,835. But it may also arise from the concentration of the group's energies on the development of the Britannia turbo-prop airliners, none of which has yet been delivered. The company's interests in the production of civil aircraft should afford it some protection against any slowing down in rearmament orders. It is for this reason, perhaps, that the very small increase in equity payments was followed by a rise in the price of the company's 10s. ordinary shares by 9d. to 17s.; at this price they offer a yield of 5⅞ per cent.

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UNITED MOLASSES. In spite of a dip in profits last year, the directors of United Molasses have recommended a slightly—though only slightly—higher distribution to ordinary shareholders. They have proposed a total tax-free dividend of 10 5/6 per cent for 1952, on the present equity capital of £5,683,500; this compares with a tax-free interim dividend of 6¼ per cent in 1951 on a capital of £3,909,000 and a final dividend at the same rate after the capital had been increased to its present level by a scrip issue of ordinary shares. In effect, therefore, the gross equity dividend has been increased from 19.84 per cent in 1951 to 20.06 per cent in 1952, and on this basis the 10s. ordinary stock units at the current price of 28s. 9d. offer a yield of 6¼ per cent. The fall in the group's gross profits (from £8,186,344 to £7,360,426) can be attributed to a decline in earnings from the sale of molasses and, perhaps even more particularly, to the fall in cargo and tanker freight rates.

The directors frankly forecast that there will be a further decline in gross profits this year. But shareholders have no real cause for despondency. It has been obvious for some time that profits could not easily be maintained at or near their wholly artificial level of 1951. Indeed, the fall from that level last year was surprisingly small; the decline in net profits, from £2,452,650 to £2,072,942, was actually more than accounted for by the provision of £825,000 for EPL in the total tax bill of £4,086,628. There is no sign yet that the dividend, which absorbs £635,212 at its current level, is in danger.

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HUDSON'S BAY. The full accounts of the Hudson's Bay Company for the year to January 31st last, and the report of the Governor, Mr W. J. Keswick, strengthens the two main impressions set down in these columns when the company's preliminary accounts were discussed three weeks ago. The first of these is that the present high price of the company's £1 ordinary shares (which yield only 2.9 per cent) seems to reflect unreasonable hopes about the possibility of the company's migration to Canada and about future earnings from its oil interests. Mr Keswick states flatly that no conclusive evidence has yet been produced to justify a change in the company's domicile; and he emphasises that "it will be some years before we take out more than we put into Hudson's Bay Oil and Gas Company," in which the parent company has invested $2,970,000.

The second lesson, however, is that the company's normal trading activities are going from strength to strength. In a year of unprecedented boom in Canada, the value of sales in Hudson's Bay retail stores—the principal source of the company's profits—rose from £27,971,893 to £32,260,284, and profits from these sales from £884,683 to £1,776,115; the value of sales in the company's wholesale department also increased (from £11,518,731 to £12,655,794), leading to an advance in profits from £290,136 to £333,247. Moreover—and this may be a significant pointer to the future—these increases in sales were apparently achieved without any serious addition to working capital commitments and were accompanied by a reduction in selling costs. The only disappointing feature last year was one of the periodic slumps in the fur trade—profits from fur sales declined from £508,829 to £332,971, due wholly to a drop in prices—but this line of business can now be regarded as little more than a sideline to the company's retail interests. Another heartening fact for shareholders is that the undistributed balance in the land account is sufficiently large to permit the directors to continue the annual tax-free bonus (at the present rate of 2½ per cent) from this account for about another eight years; at the end of this period royalty income from oil should go some way to offset the loss of these bonuses.

Consolidated earnings	Years to Jan. 31, 1952	1953
	£	£
Trading profit	2,473,876	3,252,904
Total income	2,566,974	3,656,227
Depreciation	279,294	564,741
Taxation	1,160,301	1,649,991
Net profit	*758,708*	*1,114,104*
Ordinary dividends	196,263	261,684
Ordinary dividends (per cent)*	7½	10
Retained by subsidiaries	254,741	393,485
Special merchandise reserve	...	129,329
General reserve	100,000	...
Added to carry forward	103,442	484,995
Cons. balance sheet analysis:—		
Fixed assets, *less* depreciation	5,049,151	6,084,101
Net current assets	10,235,538	12,537,182
Stocks	9,471,406	9,295,720
Cash	1,217,238	1,539,666
Reserves	12,885,155	14,076,700
Ordinary capital	2,492,224	4,984,448

£1 ordinary share at 101s. 3d. yields £2 18s. per cent.

* After allowing for the 100 per cent scrip bonus, but ignoring the customary tax free bonus of 2½ per cent from land sales; the effective gross distribution is 14¼ per cent.

SECURITY PRICES AND YIELDS

Prices, Year, 1953 Jan. 1 to April 29 High	Low	British Funds and Guaranteed Stocks	Price, April 22, 1953	Price, April 29, 1953	Gross Yield, April 29, 1953 £ s. d.
99⅞	99⅛	W. Bds. 2½% '52-54	99⅛	99⅛	2 13 0
99½	98⅞	Exch. 2½% 1955..	99⅛	99⅛	2 14 1
100⅛	99⅛	Exch. 3% 1960...	100	100	3 1 6
99⅛	99⅛	Ser. Fundg. 1½%..	99⅛	99⅛	2 11 3
98⅛	98⅛	S. Fundg. 1½% '54	98⅛	98⅛	2 13 3
100⅛	100⅛	S. Fundg. 3% '55..	100⅛	100⅛	2 16 4
99⅛	98⅛	W. Bds. 2½% '54-56	99⅛	99⅛	2 12 10
99⅛	99⅛	Fundg. 2½% '52-57	99⅛	99⅛	2 16 4
101⅛	99⅛	N. Def. 3% '54-58	101	101⅛	2 19 3
101⅛	99⅛	W. Loan 3% '55-59	100⅛	100⅛	2 19 9
95⅛	91⅛	Savings 3% '55-65	94⅛	95⅛	3 11 1
96⅛	93⅛	Fundg. 2½% '56-61	96	96⅛	3 1 4
90⅛	86⅛	Fundg. 3% '59-69.	90⅛	90⅛	3 16 3
92⅛	87⅛	Fundg. 3% '66-68.	92⅛	92⅛	3 14 4
100⅛	98⅛	Fundg. 4% '60-90.	99⅛*	98⅛*	4 3 8 / 4 1 2
89⅛	85⅛	Savings 3% '60-70	89⅛	89⅛	3 17 11
88	84⅛	Savings 2½% '64-67	87⅛*	87⅛*	3 12 5
102⅛	100⅛	Victory 4% '20-76	102	101⅛	3 17 8
87⅛	82⅛	Savings 3% '65-75	87⅛	86⅛	3 18 10
90⅛	86⅛	Consols 4% (aft. '57)	89⅛	89⅛	4 10 2
81⅛	77⅛	Conv. 3½% (aft. '61)	81⅛	81	4 6 9
60⅛	57⅛	Treas. 2½% (aft. '75)	59⅛	59⅛	4 4 0
70⅛	67⅛	Treas. 3% (aft. '66).	70⅛	70	4 6 0
92⅛	87⅛	Treas. 3½% '77-80.	92⅛	91⅛	4 1 10
81⅛	76	Redemp. 3% '86-96	81⅛	81	3 18 7
82⅛	77⅛	W. Loan 3½% aft. '52	81⅛	80⅛*	4 7 0
60⅛	58⅛	Consols 2½%.....	60⅛	60⅛	4 3 3
87⅛	85⅛	Br. Elec. 3% '68-73	87⅛	87⅛	3 18 4
86⅛	82⅛	Br. Elec. 3% '74-77	86⅛	86⅛	4 1 6
101⅛	99⅛	Br. Elec. 4½% '74-79	100⅛	100⅛ / 4 5 3 / 4 5 2	
100	99⅞	Br. Elec. 4½% "A"	...	99⅛ / 4 5 1 / 4 5 1	
91⅛	88⅛	Br. Elec. 3½% '76-79	91⅛*	91⅞*	4 0 5
82⅛	76⅞	Br. Tpt. 3% '78-88	82	81⅛	4 0 8
87⅛	83⅞	Br. Tpt. 3% '68-73	87⅛	87⅛	3 18 4
99⅞	95⅛	Br. Tpt. 4% '72-77	98⅞	98⅞ / 4 4 6 / 4 3 11	
80⅛	76⅛	Br. Gas 3% '90-95.	80⅛*	80⅛*	3 19 2
94⅛	91⅛	Br. Gas 3½% '69-71	94⅛	94⅞	3 19 4
91⅛	87⅛	Br. Iron & Steel 3½% '79-81....	91⅛	91⅞	4 1 3

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Prices, Year, 1953 Jan. 1 to April 29 High	Low	Ordinary Stocks	Price, April 22, 1953	Price, April 29, 1953	Yield, April 29, 1953 £ s. d.
6⅞	£5 18 0	Anglo-Am. 10/-.	6⅛*	5⅞	5 1 1
6⅜	5⅝	Anglo-Iran. £1.	5⅞	5⅞	5 2 0
81/6	75/9	Assoc. Elec. £1.	80/-	80/-	5 0 0
112/6	103/3	Assoc. P. Cem. £1	109/4½	111/10½	5 7 3
131/6	118/6	Bass £1	118/9	120/-	7 3 4
21/4½	19/-	Boots 5/-	19/6	19/6	5 2 7
29/6	21/4½	Brad. Dyers £1.	27/-	25/6	7 16 10
25/-	21/4½	Br. Celanese 10/-	23/6	22/6	4 17 9
7/2½	5/8½	Br. Motor Cp. 5/-	6/6*	6/4½*	8 3 11
56/4½	48/6	Br. Oxygen £1 .	52/6	53/6	5 12 2
$61⅛	$47	Can. Pac. $25..	$48⅛	$48	5 12 8
48/1½	43/9	Coats £1.....	45/-	45/-	5 11 1
42/7½	37/3	Courtaulds £1..	39/3	38/3	5 17 8
44/1½	35/4½	Cunard £1.....	39/6	40/6	7 18 0
17/7½	16/3	Distillers 4/- ...	16/6	16/6	5 9 1
52/-	43/4½	Dunlop £1.....	46/10½	46/10½	7 9 4
61/-	50/3	Ford £1.....	55/7½*	55/7½*	5 7 10
46/-	41/3	Gen. Elect. £1..	42/6	42/6	5 5 11
55/4½	48/9	Guest Keen £1.	51/9	50/-	6 0 0
31/1½	29/1½	Guinness 10/-..	29/3	29/6	5 15 3
42/10½	36/6	Hawker Sid. £1.	37/-	38/9	5 3 3
49/3	43/6	Imp. Chem. £1.	44/6	45/-	5 15 7
57/6½	52/1½	Imp. Tobacco £1	52/9	52/9	7 11 8
$84½	$68⅜	Int. Nick. n.p...	$71½	$70⅜	6 12 0
71/-	48/6	J'burg Con. £1.	63/9	59/4½	5 17 11
45/6	38/6	Lancs. Cotton £1	42/3	41/9	7 3 8
67/6	62/9	Lon. Brick £1..	66/3	66/3	5 5 8
56/3	46/3	Marks & Sp. A 5/-	55/9	55/9	3 11 9
24/4½	19/6	Monsanto 5/-...	20/6	20/6	4 9 5
62/3	52/9	P. & O. Def. £1.	56/-*	56/-*	7 2 10
36/3	29/10½	P. Johnson 10/-.	33/-	30/6	8 3 11
38⅛	32⅛	Prudentl. 'A' £1	37⅛*	37⅛*	5 2 11
20⅛	15⅛	Rhokana £1....	16⅛	16⅛	13 12 9
66/6	58/6	Rolls Royce £1.	61/3	61/3	4 18 0
86/-	75/7½	"Shell" Stk. £1.	81/3	81/3	5 7 4
62/9	59/7½	Tube Invest. £1	60/-	60/-	5 0 0
55/8½	49/-	Tur. Newall £1.	52/3	51/9	4 16 7
49/3	45/7½	Unilever £1.....	48/3	49/3	5 9 8
28/4½	21/6	Union Castle £1	23/6	23/-	6 10 5
46/3	39/-	Union Disc. £1.	45/-	46/-	4 6 11
33/7½	28/-	Utd. Molass. 10/-	29/3	28/9	6 19 2
41/3	34/-	U. Sua Betong £1	36/10½	36/3	20 13 9
50/3	44/6	Vickers £1.....	47/3*	47/3*	6 7 0
56/-	44/3	Woolworth 5/-.	53/-	53/-	5 3 9

(*f*) Yield basis 21·8% gross. (*g*) Yield basis 10⅞%. (*h*) Yield basis 15%. (*n*) Yield basis 40%. (*o*) Yield basis 20%. (*p*) Yield basis 11½%. (*q*) Yield basis 12¼%. (*r*) Yield basis 20·06%. * Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended April 25, 1953, total ordinary revenue was £61,662,000, against ordinary expenditure of £56,952,000 and issues to sinking funds £410,000. Thus, including sinking fund allocations of £847,000 the deficit accrued since April 1, 1953, was £8,403,000 compared with a deficit of £74,907,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54 £'000	April 1, 1952 to April 26, 1952	April 1, 1953 to April 25, 1953	Week ended April 26, 1952	Week ended April 25, 1953
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1782,250	100,278	105,257	21,777	18,516
Sur-tax	127,000	8,900	8,200	1,500	1,700
Death Duties	160,000	10,900	15,700	3,300	3,800
Stamps	52 000	3,600	4,000	1,200	1,500
Profits Tax & EPT	214.000	23,100	12,800	3,600	2,000
Excess Profits Levy	99,500	...	2,600	...	1,400
Special Contribution and other Inland Revenue	1,000	170	110	50	50
Total Inland Rev.	2435,750	146,948	148,667	31,427	28,966
Customs	1044,300	74,129	72,747	20,124	22,507
Excise	680,480	21,540	16,190	11,030	6,435
Total Customs and Excise	1724,780	95,669	88,937	31,154	28,942
Motor Duties	69,000	3,527	3,281	518	...
PO (Net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	...	...	...	...
Sundry Loans	25,000	55	54	...	...
Miscell.	95,000	10,253	11,701	4,066	3,754
Total Ord. Revenue	4368,215	256,452	252,641	67,165	61,662
SELF-BALANCING ¶					
Post Office	224,615	12,400	11,400	4,300	4,000
Income Tax on EPT Refunds	3,300	520	288	...	2
Total	4596,130	269,372	264,329	71,465	65,664
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	55,978	55,884	4,071	3,931
Payments to N. Ireland	48,000	2,721	2,938	1,361	1,469
Other Cons. Funds	10,000	554	524	14	302
Total	673,000	59,253	59,347	5,446	5,702
Supply Services	3586,286	270,776	240,850	62176	51,250
Total Ord. Expend.	4259,286	330,029	300,197	67,622	56,952
Sinking Funds	...	1,331	847	230	410
Total (excl. Self-Balancing Expd.)	4259,286	331,360	301,044	67,852	57,362
SELF-BALANCING					
Post Office	224,615	12,400	11,400	4,300	4,000
Income Tax on EPT Refunds	3,300	520	288	...	2
Total	4487,201	344,280	312,732	72,152	61,364

After increasing Exchequer balances by £78,124 to £3,370,888, the other operations for the week increased the National Debt by £1,261,063 to £26,137 million.

NET RECEIPTS (£ THOUSAND)

Nil

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1952	800
EPT Refunds	2
Export Guarantees Act, 1949, s. 3(2)	10
Local Authorities Loans Act, 1945, s. 3(1)	4,400
Finance Acts, 1946 and 1947: Postwar Credits	271
	5,483

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	12,352	2½% Def. Bonds	840
Nat Savings Certs.	600	3% Def. Bonds	1,943
3½% Def. Bonds	1,640	2½% Nat. War Bonds 1951–53	100
Tax Reserve Certs.	1,696	2½% Term. Annuities	1,657
		Other debt Internal	87
		Ways and Means Advances	10,400
	16,288		15,027

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
April 26	2,530·0	1,574·0	312·1	3·7	...	4,419·8
1953						
Jan. 24	2,980·0	1,515·9	268·2	...	...	4,764·1
,, 31	2,940·0	1,494·2	250·6	...	...	4,684·8
Feb. 7	2,910·0	1,414·1	245·0	...	...	4,569·1
,, 14	2,890·0	1,416·1	235·1	...	...	4,541·2
,, 21	2,870·0	1,441·5	270·8	1·8	...	4,584·1
,, 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
,, 14	2,820·0	1,540·5	275·1	...	...	4,635·6
,, 21	2,810·0	1,569·5	332·2	...	...	4,711·7
,, 31	4,406·6		303·5	3·8	...	4,713·9
April 11	2,880·0	1,585·3	243·7	...	...	4,709·0
,, 18	2,950·0	1,542·3	298·6	...	...	4,791·0
,, 25	2,990·0	1,514·8	288·2	...	...	4,793·0

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Amount (£ million): Applied For	Amount (£ million): Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1952					
Apr. 25	200·0	296·3	200·0	46 - 4·20	63
1953					
Jan. 23	190·0	285·3	190·0	47 11·47	49
,, 30	190·0	306·3	190·0	47 11·05	37
Feb. 6	220·0	315·8	220·0	48 3·19	51
,, 13	220·0	297·2	220·0	48 7·78	62
,, 20	230·0	321·7	230·0	48 7·90	56
,, 27	230·0	314·4	230·0	48 0·25	66
Mar. 6	240·0	326·9	240·0	48 0·25	65
,, 13	250·0	256·4	250·0	47 11·74	57
,, 20	260·0	351·0	260·0	47 11·78	63
,, 27	250·0	334·6	250·0	48 0·20	67
Apr. 2	230·0	322·8	230·0	48 3·93	60
,, 10	250·0	357·6	250·0	48 4·20	62
,, 17	230·0	360·8	230·0	48 3·51	45
,, 24	210·0	330·3	210·0	47 8·04	58

On April 24th applications for 91 day bills to be paid from April 27 to May 2, 1953, were accepted dated Monday to Saturday as to about 58 per cent at £99 8s. 1d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £210 million were offered on May 1st. For the week ended May 2nd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals, 3 weeks ended: April 19, 1952	Totals, 3 weeks ended: April 18, 1953	Week ended April 18, 1953
SAVINGS CERTIFICATES			
Receipts	6,850	11,500	4,500
Repayments	8,600	7,300	2,800
Net Savings	*Dr 1,750*	4,200	1,700
DEFENCE BONDS			
Receipts	2,450	5,030	2,340
Repayments	4,125	5,905	2,355
Net Savings	*Dr 1,675*	*Dr 875*	*Dr 15*
PO AND TRUSTEE SAVINGS BANKS			
Receipts	42,392	45,011	15,467
Repayments	41,220	45,755	17,382
Net Savings	1,172	*Dr 744*	*Dr 1,915*
Total Net Savings	*Dr 2,253*	2,581	*Dr 230*
Interest on certs. repaid	2,322	2,117	812
Interest accrued	7,367	7,425	2,487
Change in total invested	+ 2,792	+ 7,889	+ 1,445

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

APRIL 29, 1953

	£		£
NOTES ISSUED:—		Govt. Debt	11,015,100
In Circulation	1514,018,916	Other Govt. Securities	1535,764,471
In Banking Department	36,337,907	Other Securities	706,740
		Coin (other than gold)	2 513,689
		Amount of Fid. Issue	1550,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1550,356,823		1550,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	329,279,439
Rest	3,273,689	Other Securities	39,315,619
Public Depts.	83,248,659	*Discounts and Advances*	*13,815,014*
*Public Accts.**	*13,796,078*	*Securities*	*25,500,605*
H.M. Treas. Special Acct.	*59,452,581*		
Other Depts.	335,692,457		
Bankers	*261,814,389*	Notes	36,337,907
Other Accts	*73,878,068*	Coin	1,834,840
	406,767,805		406,767,805

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	April 30	April 15	April 22	April 29
ISSUE DEPT.:—				
Notes in circulation	1,410·0	1,516·9	1,511·1	1,514·0
Notes in banking department	40·4	33·5	39·3	36·3
Government debt and securities*	1,446·7	1,546·8	1,546·8	1,546·8
Other securities	0·8	0·7	0·7	0·7
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT.:—				
Deposits:—				
Public Accounts	10·7	19·2	11·1	13·8
Treas. Special Acct.	0·5	39·5	39·5	39·5
Bankers	273·0	269·0	273·5	261·8
Others	73·4	73·8	72·7	73·8
Total	357·6	401·5	396·8	388·9
Securities:—				
Government	274·3	357·9	351·2	329·3
Discounts, etc.	27·4	13·5	9·1	13·8
Other	31·8	12·6	13·1	25·5
Total	335·5	384·0	373·4	368·6
Banking dept. reserve	41·9	35·3	40·1	38·2
	%	%	%	%
"Proportion"	11·7	8·7	10·3	9·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,500 million to £1,550 million on March 25, 1953.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1953	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
April 23	74·0	85·25	160 12	87 7
,, 24	74·0	85·25	162 8	87 12
,, 25	Markets closed		161 10	87 11
,, 27	74·0	85·25	161 12	86 14
,, 28	74·0	85·25	161 10	86 9
,, 29	74·0	88·25	162 7	87 3

COMPANY MEETINGS

THE CUNARD STEAM-SHIP COMPANY, LIMITED

RESULTS OF 1952 GIVE REASONABLE CONFIDENCE AND HOPE

STATEMENT OF THE CHAIRMAN

Mr F. A. Bates, Chairman of the Company, in a statement to stockholders for submission at the seventy-sixth annual meeting to be held on May 20th, says:

Before dealing with the accounts and reviewing operations I should like to refer to the impending retirement from the board of Mr J. R. Rooper and Mr Charles E. Pierce, and to the appointment since the last meeting of Mr A. Rigby Hughes, Mr R. H. Senior and Mr R. J. Lockett as new directors.

"We are a team of many thousands—with our eyes looking seaward for our living and our trade—with our hearts in the science of ships and in the art of their operation." These words from my statement at the 1948 annual meeting were never more true than they are today.

In storms and hazards from which no skill or watch—save by the Grace of God—can keep a shipping company completely clear, it is this same teamwork guided by tradition and the discipline of experience which remains the finest aid we can have to our company's navigation, both at sea and in finance. I thank all for their part in these far-reaching teams—the ships and offices and agents all over the world.

The stockholders themselves are members of the team and by adventuring their capital in sea trading, they play a part essential to the life and development of the British Isles and Commonwealth. Being an islander, my own feeling is that it is good to have a living interest, however humble, in British ships and so to take part in our sea trading venture with all the thousands of the staffs and stockholders to whom I pay tribute today.

In the 1952 accounts the surplus at £3,624,648 is £273,000 higher than in 1951 after including £4,557,691 for taxation, a figure which is itself £864,000 higher than a year ago.

The results of the year give reasonable confidence and hope. Though costs have been swelling in most directions, all services have had some success. Even in services where trade has at times faltered and competition increased, the steady and united endeavour to give service has brought a reward. The surplus is a little higher than 1950, considered a peak year, but the 1950 results were earned with less tonnage and less competition than in our operations today.

OVER-TAXATION AND RENEWAL OF SHIPS

It must again be emphasised that the allowances permitted against the tax computation of profits provide an insufficient money total each year to pay for the renewal of the ships as they wear out. The result of this too small allowance is simply to swell the taxable computation and to take away as tax some part of receipts which should by every provident standard be retained for fleet renewal.

This is a grave matter for our country—an island with limited acres and a growing population—and particularly is it grave for the shipping industry if over-taxation of current profits brings to an end the continuing renewal of the ships in every class of British trade, including the tramps. It is clear beyond doubt, from the pronouncement of all shipping authorities, that the future of our tonnage is already being endangered by the impossibility of setting aside enough money to provide for the heavy costs of replacement under current conditions in the shipbuilding yards.

To spend in taxes money that should be replacing the hulls and engines, augmenting the fleets and conducting the commerce by which an island lives is far worse than just going to sleep and letting the cakes burn.

The figure of £1,312,039 retained by subsidiary companies, this year works out at £138,000 less than in 1951. It is needed for maintaining the fleets. The current cost of a large and fast ship specially refrigerated and fitted for the Australian and New Zealand trades, is now upwards of £1,750,000 and some quotations at the present time are even more.

HEAVY COSTS OF REPLACEMENT

In provision for pension funds is the item of £460,000. The transfer to Cunard reserves is £1 million, the same as last year. Taxation at £4,557,691 is not exactly comparable with last year. Any comparison is affected by variable. factors such as initial allowances, alteration in rate of income tax, larger operating surplus and changed rate of profits tax, which tax is not now deductible when computing profits for income tax purposes.

In the consolidated balance sheet, general reserves are increased to £31,528,000, a rise of £2,520,000. The increase indicates the company's efforts towards making good the present inadequate wear and tear allowances in the tax computation. The figures are large, but it is questionable if they are large enough when the problem of tonnage replacement under present and prospective contracts is considered in the light of estimated costings in British shipbuilding yards. Fixed assets this year are at £31,851,772, £1,103,000 less than last year. Instalments on new tonnage will later have an increasing effect as they are brought into the accounts. Cash at £21,163,760 and tax reserve certificates at £3,905,000 are further evidence of gathering resources which are so essential for the problems including taxation and the shipbuilding contracts which lie ahead.

The final dividend proposed for 1952 is 13½ per cent, or a total of 16 per cent including the interim already paid. This for a shipping company may be regarded as a satisfactory result. The company's dividend policy over recent years has been to strive for a steady course which will strengthen its financial foundations and enhance its credit. The carry-forward is £1,253,888, being £97,181 more than last year.

£15,425,000 SHIPBUILDING PROGRAMME

The new chapter of our shipbuilding is proceeding smoothly, with careful regard to developments in naval architecture and engineering. The only aspect of it which continues to cause concern is the growing cost of construction. In effect, for every step up the ladder of costs, all the past reserves laid by during the lifetime of the present ships have to step down the ladder which reaches to replacement. And so is placed an increasingly severe burden on each current year's trading, to make up the deficiency.

The first of the three new ships for our Mediterranean service—one of the company's oldest services—was launched and named "Pavia" a few weeks ago by Mrs F. H. Dawson, the wife of our director. It is hoped that this ship will begin her service this summer. The other two will follow her in due sequence. Of the two new large ships for our Canadian service, the keel of the first has been laid and that of the second is expected to be laid in the Coronation month of June.

The Port and Brocklebank Lines are equally active. The former have three fast, modern refrigerated ships building specially for Australia and New Zealand, while the Brocklebank Line have three new ships under contract for the requirements of India, Pakistan and Ceylon.

The problem of replacement can never be neglected by a shipping company and in every department of our organisation there is preparation, with all possible initiative and scientific research, to ensure that our shipbuilding contracts, present and prospective, shall lack nothing for want of experience and enterprise in naval architecture and marine engineering.

The estimated obligations under contracts presently signed amount to £15,425,000 but plans for the future are constantly under consideration which could greatly increase this figure. Much depends on the processes of tonnage replacement and the trend of costs in the shipbuilding yards.

OVER 270,000 PASSENGERS CARRIED

The ships of the Cunard group of lines had a busy year; they steamed 3,869,000 miles and carried 3,160,000 freight tons; passengers carried during the year numbered over 270,000.

In the North Atlantic, prospects for passenger traffic during the coming Coronation season are good. World trading conditions affect the cargo business of the group's services in varying ways. In the North Atlantic, outward cargoes are presently good, but there is a shortage homeward. The same conditions apply in the India, Pakistan, and Ceylon trades, but in the Australian and New Zealand trades the reverse is the case. With such varying conditions in the different trades it is difficult to forecast results. However, experience has taught that fluctuations in commerce can be sudden, and growing crops and increased production could improve cargo conditions generally.

We are an island people. It is, therefore, natural that we should look ever seaward and beyond for our living and trade. Without British merchant shipping we would continue to look in vain.

In all operations and in what has come to be known as the North Atlantic Ferry, the Cunard Company, now in its one hundred and thirteenth year as a unit of British shipping has continued extending old ties of friendship and forging new ones between our ships, offices and agents and supporters throughout the world.

It is in such spirit of friendship and in continuing endeavour to give the service which it inspires that the mainspring of Cunard fortunes, present and future, rests.

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

EXPANSION OF PREMIUM INCOME

LT. COL. JOHN LESLIE'S SURVEY

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held on May 18th in London.

The following is an extract from the review by the chairman, Lt. Col. John Leslie, of the report and accounts for the year 1952:

During the year our premium income has continued to advance, and in the fire, accident and marine departments alone exceeds £48 million. I recall that in my first review as chairman, which covered the operations of the company for the year 1948, I mentioned that the fire and accident premiums amounted to £29½ million, of which £19½ million was in respect of business transacted outside the borders of this country. Today the respective figures are £45¼ and £32½ million—a truly remarkable achievement, of which we can be justly proud.

The fact that such large sums are involved inevitably attracts attention to our financial resources and our importance as a financial institution. The statement of our total assets, which now amount to over £138 million, gives additional emphasis to this conception of our organisation; but if a proper appreciation of our affairs is to be obtained, it must be realised that our fundamental business is that of insurance and that our financial operations are supplementary to this.

I will now refer to the departmental accounts.

FIRE DEPARTMENT

	£
Net premium income, 1952.....	21,771,090
Net premium income, 1951.....	21,270,843
Increase	£500,247

The ratio of claims paid and outstanding was 43.75 per cent, commission absorbed 19.99 per cent, and expenses of management accounted for 22.88 per cent. After adjustment of the reserve for unexpired risks, there was an underwriting profit of £2,712,428, of which £2,500,000 has been transferred to profit and loss account. The fire fund now amounts to £18,815,020 or 86.42 per cent of the premium income.

The continual growth of our fire premiums is a source of special satisfaction to us, particularly in view of the fact, so well known, that it was to undertake fire insurance business that our company was originally formed.

At home there was a further advance in the premium income, but at a slower rate than in the previous year. In many directions values tended to fall, particularly in the textile industries, and there was a corresponding reduction in sums insured.

Overseas, where the greater part of our fire business is transacted, there has been a steady expansion of premium income in nearly all the terrorities in which we are represented.

LIFE DEPARTMENT

A new record figure was established for net sums assured retained at the company's own risk, after allowing for reassurances given off. The gross sums assured for 1952 totalled £17,677,560, compared with £17,443,069 for 1951, and only once previously has the former figure been exceeded.

During the year the life fund increased by £1,836,890 to £44,205,389, after providing a further £800,000 in addition to the tentative provision of £1,100,000 made last year to cover depreciation of investments on a strict market price valuation.

The net premium income in respect of life assurance contracts was £4,421,824 (1951, £4,063,126) and, in addition, we received £731,364 as single and annual premiums for various types of annuity contract. Commission and expenses absorbed 12.9 per cent of the life assurance income, compared with 13 per cent for 1951. Death claims and matured endowment assurances required £816,064 and £1,694,145 respectively (1951, £768,458 and £1,526,714) and £361,265 was paid upon the surrender of life policies and bonuses (1951, £316,177). Death claims were very much below the figure for which provision had been made by the company's valuation tables and in this respect the experience of 1952 was easily the most favourable to date.

MARINE DEPARTMENT

	£
Net premium income, 1952.....	2,786,921
Net premium income, 1951.....	2,549,701
Increase	£237,220

ACCIDENT DEPARTMENT

	£
Net premium income, 1952.....	23,764,785
Net premium income, 1951.....	20,440,921
Increase	£3,323,864

The ration of claims paid and outstanding was 56.65 per cent, commission 18.32 per cent, and expenses of management 17.93 per cent. After adjustment of the reserve for unexpired risks, there remained an underwriting profit of £356,737, or 1.50 per cent of the premium income. The accident fund now amounts to £15,351,880, or 64.60 per cent of the premium income.

Our business at home has continued to expand with all the principal classes making substantial contributions.

In the Commonwealth and the overseas field generally a striking advance in premium income has been made, coupled with an overall improvement in the claims experience.

PROFIT AND LOSS ACCOUNT

Gross interest, dividends and rents continue to increase and now exceed £2½ million. The transfer from fire revenue account at £2,500,000 is £650,000 more than last year's, largely due to the smaller reserve requirement on the 1952 premium income. The reverse has occurred in the accident revenue account, where the substantial rise in the premium income has involved such increases in the reserves that it is only prudent to leave the whole of the year's profits in the accident insurance fund.

Notwithstanding the immense burden of taxation, the directors have given careful consideration to the question whether there should not be some increase in the distribution to the stockholders. I am glad to say that they have no doubt on that score and are, therefore, recommending a final dividend for 1952 of 6s. per unit of stock, making, with the interim dividend of 4s. paid in November last, a total for the year of 10s. per unit of stock. The balance available in the appropriation account, after providing for this dividend, is sufficient to allow an increased transfer to contingencies and taxation reserve of £450,000 and raise the carry-forward by £7,720 to £727,661.

INTERNATIONAL NICKEL OF CANADA

ANOTHER OUTSTANDING YEAR

The annual meeting of this Company was held on April 29th at Toronto.

Dr John F. Thompson (the chairman), in the course of his address, said: Nineteen fifty-two was another outstanding year in the company's history. For the third successive year we maintained production at capacity and supplied more than 75 per cent of the nickel used by the free world. In the last three years, in response to an unprecedented demand, the company delivered a total of nearly 100 million pounds more nickel than the amount which we delivered over any prior three-year period, exclusive of World War II. Our 1952 deliveries of nickel in all forms totalled 249 million pounds, an increase of more than 5 million pounds over 1951.

During the year wages were again increased in general conformity with the wage pattern in the three countries in which we operate. The costs of supplies and services, such as freight and electric power, also rose.

Throughout the year the price of nickel remained unchanged at the level prevailing during the latter half of 1951. On January 14, 1953, however, and pursuant to earlier discussions with the governmental authorities at Ottawa, the price was raised 3½ cents (United States) per pound. This brought our United States price for electrolytic nickel to 60 cents per pound, including the 1½ cents United States import duty. Substantially equivalent prices were made effective simultaneously for our Canadian, United Kingdom and other markets.

The company has consistently endeavoured to maintain a strong cash position. In the light of the world-wide inflation which has characterised the postwar period, this policy has proven to be well justified. With the continued rise in costs, including wages, more cash is required to carry on our operations and to defray the expense of our capital expenditure programme.

PRODUCTS

Distribution of nickel throughout the year was made internationally in accordance with allocations recommended by joint action of the Canadian and other member Governments of the International Materials Conference.

Deliveries of refined copper in 1952 of 234,300,000 pounds closely approximated those of 236,900,000 pounds in the previous year. Our Canadian consumers, as in 1951, received 55 per cent of the total. The remainder continued to be marketed in the United Kingdom, the United States and Continental Europe.

Following the release of copper from price control in the United States in February of this year, the Canadian Government discontinued its official policy with respect to the price of copper for consumption in Canada. Thereupon, your company increased its price to domestic consumers in Canada from the previously existing 29½ cents (Canadian) per pound to 33½ cents (United States). This brought our domestic price into conformity with the price at which the United Kingdom Ministry of Materials had been buying copper from Commonwealth producers.

Deliveries of platinum metals totalled 287,000 ounces in 1952, compared with 375,000 ounces in 1951, and 267,000 ounces in 1950.

In conclusion, your company is in a strong position, both in material resources and in skilled and experienced personnel, to successfully continue its task.

The report was adopted.

GENERAL ACCIDENT

FURTHER SATISFACTORY PROGRESS

The sixty-seventh annual general meeting of the General Accident Fire and Life Assurance Corporation, Limited, will be held on May 20th.

The following is an extract from the circulated address by the chairman, Sir Stanley Norie-Miller, Bt, MC, JP:

Further satisfactory progress in the volume of business undertaken has been accompanied by increased profit balances in the underwriting accounts. The net income from all sources amounted to £39,885,202, an increase of £4,715,661, and the balance for the year amounted to £1,401,116. Appropriations have been made to reserves and pension funds calculated on the usual basis, and the directors recommend a final dividend of 4s. per share on the ordinary shares, making the total dividend 6s. per share as against 5s. for the previous year.

The gross new life business completed during the year was slightly in excess of the corresponding figure for 1951, but, as a result of reassurances, the net figure shows a small decrease. The life and capital redemption funds now amount to £12,171,668.

Our business in the United States of America has again made marked progress and our assets there now exceed $110,000,000. The assets of the group now amount to £64,126,017, being an increase of £5,902,388.

The "General Accident" can be proud of its fine record in keeping pace with insurance needs, and through its integrity and capacity for valuable service has won the confidence of the public wherever we operate. We can look to the future with confidence in continuing progress and success.

BIRMINGHAM RAILWAY CARRIAGE AND WAGON COMPANY, LIMITED

STEEL SHORTAGE AFFECTS RESULTS

The ninety-ninth annual ordinary general meeting of this company was held on April 29th at Birmingham, Sir Bernard D. F. Docker, KBE, the chairman, presiding.

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

The results of the year are less favourable than for any of the previous three years, despite the fact that the monetary value of sales constitutes a record. The main cause was our inability to employ our works to their full capacity, due to shortage of materials, particularly steel. The lower production at increased cost is responsible for the reduction of £137,498 in the profit.

Once more I would point out that the small improvement in sales does not reflect increased production but increased costs following advances in wages, steel, coal and transport charges which, in turn, forced up the price of the many other materials and components incorporated in carriages and wagons. I am very perturbed lest such increases seriously prejudice this country in markets abroad, facing as we do increasing competition from the Continent and Japan, where comparative production is at a much higher rate than in this country.

An increase in the country's production is even more important today than ever before if we are to maintain the high standard of high living to which we, in Britain, have become accustomed and which is in peril unless we expand our exports.

The report and accounts were adopted.

ALBERT E. MALLANDAIN

ABNORMAL CONDITIONS

The sixteenth annual general meeting of Albert E. Mallandain Limited was held on April 29th in London, Mr Albert E. Mallandain, chairman and managing director, presiding. The following is an extract from his circulated statement for 1952:

The aggregate net profit for the year under review amounted to £59,414, compared with £126,978 for the previous year. The aggregate net profits, after taxation are £20,543 compared with £50,818. When making these comparisons, however, it must be borne in mind that the profits for the year 1951 were an all-time record for the company, including as they did, profits from stock appreciation as a result of rising values of raw materials. As a natural consequence of price reductions, a certain amount of consumer resistance was encountered. Considering the difficult and abnormal conditions your Board are of the opinion that the results now placed before you may be considered as satisfactory and, in view of the greater degree of stability again recommend a dividend of 50 per cent, less tax.

It is difficult under present trading conditions to gauge the trend of business a long way ahead, but the state of our order book is healthy and full production for some time ahead seems assured. The company's reserves and the assets which they represent are a sound foundation upon which our several well-equipped departments have been built up, and if we can experience a comparable degree of stability in wages and overheads, and if the burden of taxation can be lightened, I look forward to the results of this Coronation year with reasoned confidence. The report was adopted.

GENERAL REFRACTORIES LIMITED

GENEFAX HOUSE, SHEFFIELD, 10

A comprehensive range of refractories serving all industries is produced by the Company and its Subsidiaries at their Works and Quarries situated in many parts of England, Scotland, Wales, and in Belgium. Research and technical field service facilities are available. The Company has Offices and Representatives throughout the United Kingdom and Agents in all parts of the world.

SUMMARISED CONSOLIDATED BALANCE SHEET OF GENERAL REFRACTORIES, LTD., & SUBSIDIARIES.

Based on figures as at 31st December, 1952.

	£		£	£
Issued Capital	1,040,000	Fixed Assets	2,805,009	
Capital Reserves	196,922	*Less* Accumulated Depreciation	1,471,611	
Revenue Reserves and Unappropriated Profits ...	600,492			1,333,398
Liabilities	1,372,825	Trade Investments		5,092
		Current Assets...		1,871,749
	£3,210,239			£3,210,239

SUMMARISED APPROPRIATION ACCOUNT OF GENERAL REFRACTORIES, LIMITED.

	£
Profit for year after providing for Depreciation, Taxation, etc.	166,198
Net Distribution for year to Stockholders	81,900
Retained in the business	£84,298

EXTRACTS FROM THE CHAIRMAN'S STATEMENT

I am happy to tell you that your company has again experienced a very satisfactory year's trading. At nearly all the works our manufacturing resources have been stretched to the utmost and many fresh tonnage records were established. The recession in trade which affected many industries in 1952 had little or no effect upon the company as our principal customers are in the steel industry which continued to be exceptionally busy and for which even higher tonnages are forecast for the current year.

As you are aware, there has been for many years an annual increase in the turnover of the group, and I am pleased to report that for the year under review there was a further expansion in sales both for the home and export markets.

The group trading surplus for 1952 amounted to £634,741, a fresh record in the history of the group. All subsidiary companies contributed their share to this excellent result. Your directors recommend the payment of a dividend of 15% (less income tax at 9*s.* 6*d.* in the £).

The amount provided for taxation in the group amounts to £295,038, an increase of £37,976 over the 1951 figure. Despite the heavy drain by the tax authorities and substantial capital expenditure, your company is in a strong financial position.

Copies of the Accounts and Chairman's Statement may be obtained from the Secretary, Genefax House, Sheffield, 10.

HOFFMANN MANUFACTURING COMPANY, LIMITED

RECORD TURNOVER

The annual general meeting of this company was held on April 30th in London, Mr J. W. Garton, chairman and managing director, presiding.

The following is an extract from his circulated statement:

The year 1952 which is now under review was one of tremendous activity. The turnover during the year reached a record level whilst production continued at its highest rate. The profit of the Hoffmann Group for the year 1952 before taxation but after all other charges amounts to £1,469,061 and compares with £1,088,337 for the previous year. The net profit of the group for the year 1952 after taxation is £466,074, and compares with £470,668 for 1951.

The record profit during the year was achieved under exceptionally favourable circumstances, namely, a full order book, a high rate of production, sound planning of our supplies of raw materials and first-class labour relations.

During 1952 there were advances in the cost of materials and in wages, and these have been carried in part by increased productivity; the wage award at the close of the year and increases in cost of raw materials have been borne in part by the company and not passed on to our customers.

Your directors consider that they are justified in recommending a final dividend of 10 per cent, free of tax, which together with the 5 per cent paid as an interim is an increase of 2½ per cent, free of tax, on last year. They are also adding a special cash bonus of 2½ per cent, free of tax, on account of the exceptional results.

Hoffmann Gloucester, Limited, has also had a year of intense activity and by its increased output helped the group to achieve its record result. Hoffmann Tweedales, Limited, in which Hoffmann Gloucester, Limited, has a 50 per cent holding, has had a satisfactory year.

FACTORS IN THE OUTLOOK

Your company supplies its products to nearly every industry in the country and the demand on us can be taken as a guide to general trade conditions. We have found over this last six months that the incoming orders have been considerably less than the deliveries and this situation, while healthy from the point of view of a shortened order book, will if it goes on too long become a serious matter. In addition, we have received several very heavy cancellations while customers readjust their production programmes.

There is no doubt the balance of profit left with companies after paying the very high taxation leaves little for capital development out of their own resources. In our own case the high cost of plant today compared with the prices immediately prior to the war means that we get one machine instead of two. This is bound to have a slowing up effect on the rate of replacement which must affect trade generally.

Although your directors have every confidence for the future it must be realised that in 1953 we cannot equal the record level of 1952, but have taken every possible step to enable the company to trade successfully in the much harder and more competitive times ahead.

The report was adopted.

STANHOPE STEAMSHIP COMPANY

SATISFACTORY RESULTS

The first annual general meeting of Stanhope Steamship Company, Limited, was held on April 23rd in London. Mr J. A. Billmeir, FICS (the chairman), presided, and in the course of his speech said: The profit on ships' trading is £769,671, after charging all business expenses. In this connection it will, no doubt, be within your knowledge that soon after the inception of the company there occurred a severe setback in freight rates for dry cargo tonnage, and whilst there has been some subsequent improvement in that respect, there is now a pronounced fall in tanker rates of freight. Considerable loss of earnings has also been suffered through ships being out of commission for various reasons. The directors consider that the result now shown is in all the circumstances very satisfactory.

The balance of profit after bringing in profit on sale of investments and bank interest and debiting directors' emoluments and auditors' remuneration is £770,680.

Taxation takes no less a sum than £455,000, including £99,000 excess profits levy, the impact of which was unpredictable at the beginning of the year.

So far as the future is concerned, two of the tankers are chartered for some time ahead at remunerative rates, and in general I am of the opinion that our modern and well-maintained ships will be able to earn a fair reward for their services in the future.

The report was adopted and the dividend of 7½ per cent, less tax, was approved.

AMALGAMATED BANKET AREAS, LIMITED

The seventeenth annual general meeting of Amalgamated Banket Areas, Limited, was held on April 29th in London, Major-General W. W. Richards, CB, CBE, MC, chairman, presiding.

The following is an extract from his statement:

The net profit for the year ended September 30, 1952, £139,819, added to the balance of £202,867, brought in from the previous year, gives a total to the credit of profit and loss account, before appropriations, of £342,686. A dividend of 5 per cent, less income tax, is recommended, absorbing £75,729 and leaving a balance of £196,559 to the credit of profit and loss account.

The total ore reserves are computed at 3,979,173 tons. Of this tonnage, 2,054,033 tons averaging 5.553 dwts over a width of 40.465 inches represents the underground ore; and 1,749,208 tons averaging 1.966 dwts the surface deposit at Pepe; the balance of 175,932 tons at 0.757 dwts being the value of the parting reef at Pepe.

The technical reports and data accompanying the annual report give a fair picture of the magnitude and importance of the company's operations. It has been vital to our success that the utmost care and vigilance be unceasingly exercised by our able management in West Africa.

The current year should see the completion of the ambitious programme laid down at the date of amalgamation in March, 1950. Technically, the various steps for bringing into production the Tamsoo and Fanti Mines have proceeded smoothly according to plan.

The report and accounts were adopted.

JOHN BARKER AND COMPANY

IMPROVED TRADING RESULTS

The sixtieth ordinary general meeting of John Barker and Company, Limited, was held on April 24th in London.

Mr Trevor A. Bowen, DL, JP (chairman and joint managing director), in the course of his speech, said: As regards the trading results of the Barker Group, I am able to report a net profit before taxation of £666,357. Of this amount taxation absorbs £381,374 (or, say, 57½ per cent), leaving a balance profit of £284,983. These results compare with a net profit of £624,415 last year, less taxation £367,591, leaving a balance profit of £256,824.

The trading year has, broadly speaking, seen a process of slow recovery after a period of acute depression. The abandonment of the Utility Scheme and the introduction of the "D" Scheme did much to improve trading conditions, but industry generally was still burdened by numerous Orders and Regulations governing supplies and prices. Many of these have now ceased to exist. With the object of giving further relief to trade, concessions were made by the Board of Trade, at various times during the year, by reducing purchase tax on a number of goods.

The further reductions in purchase tax brought in by the Chancellor in his recent Budget will involve additional heavy loss to the company. From the customers' point of view, however, I heartily welcome these reductions, and the prospect of an increase in trade.

The report was adopted and the total distribution of 22½ per cent was approved.

OLDS DISCOUNT

EXTRACTS FROM THE CIRCULATED STATEMENT OF THE CHAIRMAN MR W. A. OLDS

Our assets are now £5,621,296, while the Reserves and Credit Balance of Profit and Loss Account total £670,419, being equal to 186.2 per cent of the Equity Capital. The operating profit for the year has increased to £282,273 before tax.

We have received a 20 per cent dividend from our £50,000 Investment in T.I. Cycle Credit Facilities, Limited, the company jointly owned with Tube Investments, Limited.

We have recently enlarged the scope of our business by opening new branches, commencing operations in Eire, and forming a subsidiary company in British West Indies. These developments may prove to be the source of considerable increase in our activities and be the forerunners of others.

RECORD OF PROGRESS IN STAGES DURIN LAST 15 YEARS

	Profit before Taxation	Ordinary Dividend Paid (Net)		Profit Retained after Taxation
	£	%	£	£
1938 ...	23,363	13¾	9,969	1,438
1945 ...	53,873	15	10,100	15,273
1948 ...	138,579	20	27,500	24,951
1952 ...	282,273	22½	43,875	52,648

The 22½ per cent Ordinary dividend paid for 1952 represents 7.8 per cent (gross) on the Ordinary Stock and Reserves.

RALLI BROTHERS LIMITED

SUBSIDIARIES' CONTRIBUTION TO RESULTS

GROUP'S POSITION MAINTAINED IN DIFFICULT YEAR

MR JACK VLASTO'S STATEMENT

The annual general meeting of Ralli Brothers Limited will be held on May 26th in London.

The following is the statement by the president, Mr Jack Vlasto, which has been circulated with the report and accounts: In my statement a year ago, I referred to the favourable results achieved in our merchanting business during the early months of our 1951-52 financial year and also to the setback in trade which made itself felt so acutely in February, 1952. As it turned out, the whole of the second half of our year to August 31, 1952, was a most difficult period for our merchanting departments. It included much of the heavy tumble taken by commodity prices and of the spell of inactivity and dislocation in many world markets which were the sequel to previous overbuying. Against this unfavourable background, the liquidation of old contracts, on which, by shipment time, there was often a substantial market difference compared with replacement value, proceeded remarkably smoothly; however, in a number of cases we were obliged to make concessions or extend deliveries to overseas buyers. Even now, we have not by any means seen the last of the problems arising from the price fall and have, therefore, thought it necessary to make a provision in our accounts of £200,000 against various doubtful outstandings. All things considered, however, it is indeed satisfactory that the final profit from this year of ups and downs is sufficient to pay maintained dividends and to cover the provision referred to, while the reserves, to which we added so materially in the previous accounts, in order to meet the storm which loomed ahead, remain intact.

SUBSIDIARY COMPANIES' RESULTS

In the past, the consolidated trading profit has not been materially affected by the results of our present subsidiary companies. On this occasion, however, our subsidiary companies, thanks to record results by two of them, account for over 40 per cent of the total for the group of £1,843,744. The Maritime Shipping and Trading Company, Ltd., taking full advantage of the high rates ruling for ocean freights during their year ended March 31, 1952, contributed close on £370,000 to this total, while Ralli Estates, Ltd., taking equal advantage of the high prices obtainable for sisal, contributed about £390,000. Both these subsidiaries are adding substantially to their capital assets. The liquid resources of the Maritime will be sufficient to defray the full cost of the new ship, *Appledore*, which is being delivered very shortly, and will go a long way towards paying for the other new ship on order. The board of Ralli Estates have placed £200,000 to development reserve against estimates of expenditure for extensions to labour and staff housing, extensions to one factory, the complete rebuilding of the other factory and the first stages of development of the virgin forest areas.

Of our other subsidiaries, Berg River Textiles, Ltd., have felt their share of difficulties which befell the cotton textile industry and our associated company, Rallis India, Ltd., encountered merchanting setbacks in the early months of 1952. Neither of these companies paid any dividend on their ordinary shares for the year ended August 31, 1952, and, in consequence, the 1952-53 profit and loss account will not receive any income from these investments.

THE OUTLOOK

On the last two occasions I have not found it difficult to give a fairly accurate line on the forward prospects, but this time comment on our 1952-53 year is more hazardous. After a poor start, our merchanting business tended to improve, although not to the extent we should have liked. In volume we may reach a turnover of £40 million, but, while conditions have certainly become more stable, competition everywhere has become intense and the margins obtainable are small. Despite the fall in freight rates and in the price of sisal, both the Maritime and Ralli Estates should show satisfactory results, but not, of course, comparable with last year's records. Berg should do better and Dehns (Africa), Ltd., have found more demand from East Africa for their Kangas. While I therefore anticipate a reduction, perhaps appreciable, in the consolidated trading profit, provisions for taxation and doubtful outstandings which, for several reasons, were exceptionally onerous last year, should on present indications call for a considerably smaller proportion of the profit.

Our thanks are again due to our staff in all parts of the world for their continued wholehearted efforts to further the interests of our company.

THE TIMES FURNISHING (HOLDINGS)

CONTINUING SUCCESS

The fifth annual general meeting of The Times Furnishing (Holdings), Limited, was held on April 30th in London, Mr Henry Jacobs (the chairman) presiding.

The following is an extract from his circulated statement:

The total book value of current assets was £2,979,717, which exceeded current liabilities, provisions and bank loans by £1,698,678, an increase of £229,356 over the previous year's figure.

The combined profits of the group for the year were £704,759, an increase of £64,322 over the previous year.

After providing for all taxation, including an additional provision of £90,000 to meet the Excess Profits Levy, there remains £221,179, this amount being £16,471 less than the previous year, when no EPL was imposed.

During the year under review, as compared with the previous year, turnover of the furnishing business declined in the first six months, but increased during the remainder of the year. Turnover of the Willerby business improved consistently throughout the year.

The year's profits of the tailoring business showed a gratifying improvement; a noteworthy achievement in what was, in fact, a year of much anxiety in that trade.

Your directors are pleased to recommend the raising of the dividend to 25 per cent, less tax, for the full year, and a capital scrip bonus of one ordinary share for each ten of such shares held.

The trading experience during the first quarter of the current year in both the furnishing and the tailoring subsidiaries has been most satisfactory, and the directors feel justified in anticipating another year of continuing success. Your board has been most ably and loyally supported by the staffs, to whom its best thanks are extended.

The report was adopted.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY, LIMITED

Record fire, accident and marine premiums at £28,782,000 and record new life business at £7,400,000 were figures given in a statement issued by the chairman Col A. C. Tod, CBE, TD, DL, with the 117th annual report and accounts of The Liverpool and London and Globe Insurance Company, Limited.

Underwriting profit at £1,231,231 (4.28 per cent of the premiums) represented a figure only once previously exceeded by the company.

The chairman said the success of British Insurance abroad was in no small measure due to its quality; to its financial strength, experience, and the confidence it inspired. It avoided difficulties which might beset the exporter of material goods—there was no delay in delivery date, for branches, agencies and officies at strategic points throughout the world met the insured's needs immediately; there were no "packaging" difficulties; the policy form used was traditional in the local market, the language, currency, terms and conditions used were all local, and thus assisted the companies in establishing that confidence on which the success of the business was founded.

A final dividend of 19s. 6d. per share is recompended, making 37s. for the year (against 35s. for 1951).

EBURITE CORRUGATED CONTAINERS

SATISFACTORY RESULTS IN MORE NORMAL TRADING YEAR

The ordinary general meeting of Eburite Corrugated Containers, Limited, was held on April 30th in London, Mr J. F. Fielding, the chairman, presiding.

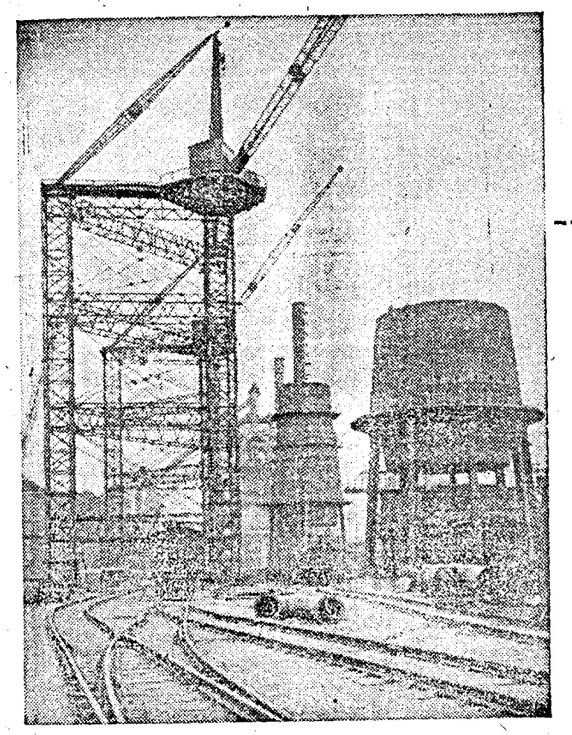
The following is an extract from his circulated statement for the year to December 31, 1952:

The substantial rise in raw material prices came to an end early in 1952, with the result that the trading year has been carried through under very different conditions from those prevailing in 1951. In the circumstances, your directors consider the results satisfactory in a year in which trading had become more normal.

The net profit on trading for the year, 1952, amounts to £151,714, as compared with £277,781 for the previous year. Your directors propose a final ordinary dividend of 2s. per share, less tax, making 2s. 6d. per share for the year.

Your directors propose to increase the authorised share capital of the company to £750,000 by the creation of 1 million additional ordinary shares of 5s. each and that £191,125 should be capitalised out of the undivided profits of the company and that such sum be applied in paying up in full at par 764,500 of the unissued ordinary shares, to be allotted and distributed to existing ordinary shareholders. This distribution is equal to one new ordinary share for every two ordinary shares held.

Under present conditions, it becomes increasingly difficult to give any indication of future trading, which is affected by so many circumstances beyond our control. The improvement in trading conditions which be-



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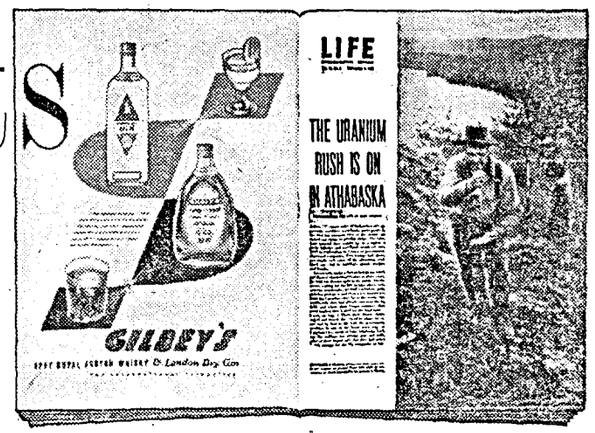
The Power-Gas Corporation Limited have recently completed the construction of the largest fertiliser factory in India and one of the numerous gas plant installations on hand is an extension to the largest gas works in the world.

Amongst their other activities Ashmore, Benson, Pease & Company have been entrusted with the design and manufacture of twenty blast furnaces in the last ten years, including one at present in the design stage which will be the world's largest. — They are represented by subsidiary companies in Australia, South Africa, Canada and France.

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Wage Restraint

IT is now certain that the engineering workers will claim a rise of 15 per cent in their rates of pay. The national committee of the biggest trade union concerned, the Amalgamated Engineering Union, endorsed this proposal on Wednesday, and the other unions in the engineers' confederation can be expected to fall in with it. The AEU also proposes to press for a shortening of working hours from 44 to 40 a week. The importance of the wage claim does not stop at engineering. The farm workers and the shop assistants had, indeed, got in ahead of the engineers, and the movement will now spread. During this summer British industry will face, once again, a general pressure for more money; an all-round advance in costs is threatened.

The engineers' claim must be judged against this background. It cannot be considered in isolation. There are, indeed, at almost every moment some groups of workers who, taken by themselves, can be said to have a strong case for more pay, for a rise in economic status relatively to other workers. They may have a special case based on equity, because their incomes have lagged behind in a period of inflation. Or they may have a case based on the needs of the national economy, because their industry requires to attract more labour. But such arguments are hard to apply to so many as three million engineering workers. The present pay claim applies not only to the engineering activities that are profitable and need expansion but also to many others of slight national importance, where the employers have little ability to afford higher wages. Why should the worker in a light engineering factory, making consumer goods with no export market, get a wage advance while textile workers—for example—stand still? A special case for an industry so large and so heterogeneous as engineering can be sustained only if it is very special indeed.

There is no such case. The engineers, as a whole, have not lost ground in the great transformation of the wages structure that has taken place since 1938. On the contrary, the latest figures of the Ministry of Labour show that the earnings of men in the engineering industry have increased since 1938 in almost exactly the same proportion as the earnings of the average adult male. The engineers' most recent rise—the 7s. 4d. increase granted last November—followed one of 11s. only twelve months earlier. Since last year's increase, the cost of living has risen by little more than one per cent.

No considerable increase in engineering pay can, therefore, be claimed on considerations of equity. Is there a case based on the second possible consideration—economic need? The output of many engineering products undoubtedly ought to be increased. This is particularly true of a variety of capital goods, both for export and for the re-equipment of British industry. But not only is the need far from uniform over the whole engineering field; it is also doubtful whether the markets even for much-needed equipment will stand an increase in prices. The necessary expansion of output, in face of growing competition, depends on keeping costs down. The only

circumstance in which an increase in wages could safely be granted would be if it followed on an increase in general productivity actually realised.

The engineering unions have, therefore, no special case. The moral status of their claim is the same as its practical status: the engineers should get a rise, as in fact they will get a rise, only if it is part of a general advance in money wages. The engineers cannot argue their case realistically on any other basis. Are there, then, general reasons for a rise in money wages?

It is important to recognise that this question can now be asked. For years everyone has at least paid lip-service to the need for wage-restraint in a time of full employment and inflation. It was obvious to the Left as well as to the Right that by getting more money the unions would merely raise prices and, at the best, leave everyone where he was. This argument was plain; intellectually, if not in fact, it won the day. There is a temptation, everywhere except in the unions, to go on stating it by habit, in the same terms. That is no longer an entirely adequate answer to wage claims. Mr Butler in his Budget has endorsed the proposition that, with inflation checked, an increase in purchasing power may now make people better off. More money may not now simply chase the same quantity of goods; conceivably it may result in more production than there would otherwise be. The unions will certainly ask why, if this is true of tax reliefs, it should not also be true of wage increases. Similarly, the existence of just a little more unemployment gives a shade more credibility to the "militant" view that the benefits of higher productivity should be drawn out by the workers in the form of shorter hours rather than in lower prices, expanded output or higher earnings.

The case against these union claims, both for higher pay and for shorter hours, is every bit as strong now as it has ever been. But it is a slightly different case. It no longer rests mainly—as in the popular mind at least it has rested for six years—on the simple point about money chasing goods. The real case is that an economy so delicately poised as this cannot afford to add to its costs of production. The check to inflation and the improvement in payments overseas both rest on margins that are too narrow. What risks in expanding purchasing power may be taken, the Chancellor has already taken—and perhaps over-taken. No risks of raising the prices of British goods, in face of growing overseas competition, can be taken at all. Indeed, there is as much danger as ever that a general rise in wages will make the members of trade unions as a whole worse off—by reducing exports and in the end enforcing another devaluation, with a reduction in imports. And even if higher wages did no definite harm to the country as a whole, do the unions seriously think that they will give their members a bigger share of the same cake? Can either the investment outlays of industry or the real incomes of pensioners be squeezed enough to provide, even in the short run, any appreciable benefit to those workers whose wages rise faster than prices? Plainly, they cannot, and neither the unions nor the Labour party would want such a result if it were possible.

The unions have done remarkably well since the period of comparative wage restraint came to an end. Since the great rise in prices that began with devaluation and the outbreak of the Korean war, wages have kept pace with the cost of living. Real earnings are now slightly higher, if anything, than they were three years ago. Prices are at last comparatively stable, and the only threat to the living standards of the workers lies in the sort of economic disaster that insistence on big increases in money wages might help to create. The hope of being better off lies in increasing production and pushing up earnings close behind output, not in advance of it. That is not, admittedly, an easy formula for trade union leaders to put to their followers and to act on; but nobody has yet thought of anything except a reasonable restraint by the unions as the one possible way of combining full employment with collective bargaining—without a raging inflation.

Mr Dulles and the Arabs

BY OUR SPECIAL CORRESPONDENT

MR DULLES leaves Washington today for his tour of the Arab world. He will find it hoping for great results from this personal investigation; in particular he will encounter the hope that the United States will abandon President Truman's policy of giving Israel a Benjamin's portion of all its official aid to the Middle East. This is not to say that all the Arab-speaking states concentrate with equal intensity on this grievance; for beneath their superficial likenesses they remain highly parochial in their interests. Mr Dulles will find in the easterly, oil-bearing countries greater concern with turning new wealth into national advancement and social improvement, and in Egypt a greater concentration on "national aspirations," which entail getting rid of one foreign power while planning to borrow large sums of money from another. By contrast, in the states bordering Israel he will be confronted with the Arab-Jewish question in the living shape of the Arab refugees.

This flotsam of war has lately escaped the West's attention; but the Secretary of State's visit is a reminder that this is still one of the worst of the world's refugee problems. Living on the dole of the United Nations there are 874,000 listless indigents, plus a further 120,000 even more listless people on the barren hills near the Israel border, who have not lost

their homes—and therefore get no dole—but who have lost all means of earning what used to be a fair livelihood. These malcontents number more than half the population of Jordan and 11 per cent of that of Lebanon. Mr Dulles should find the time to leave sophisticated Beirut and inspect the misery in the hills; for there he would feel the full impact of the refugees' role in Arab relations with the West. The danger they represent is as serious as ever. So long as it persists there can be no peace on the Arab-Israel frontier, and therefore no hope of solvency for either Israel or Jordan; the living evidence will remain of what the Arab-speaking states regard as a piece of gross sharp practice by the West; the mutual confidence required to create a Middle East defence organisation will not exist; and any western aid now being given or planned will pay no dividend.

Even for those acquainted with the refugee problem its proportions become easily distorted. Publicity is rightly given to each small effort at improvement: to the tenacious Arab who offers new hope for 80 orphan boys, to a bishop who builds a village, or to the United Nations Relief and Works Administration when it opens fifty suburban houses. People see the photographs and their consciences are stilled. What escapes notice is that the scale is pitifully inadequate: UNRWA has so far settled 2,369 breadwinners—say, 12,000 people—whereas the refugees are increasing at the rate of 25,000 babies a year. Then there is the distortion that comes from the over-optimism of the United States and the United Nations about plans for large-scale settlement. These are always on the stocks, and many of the planners on the spot—the majority of them Americans—still base their calculations, despite five years' frustrating experience, on what American management and methods could do, given the money and a free hand. "Why," they ask, "do you British always divide our estimate by three?"

The answer is that one must calculate not what could be done in Arizona but what will happen when operations have to be conducted through Arab governments. Allowance must be made for local refusal to give to the refugee more privileges than to Jordanians or Syrians who are almost as poor, and for the weakness and lack of continuity in the working of the governments and civil services. It must not be assumed that, for every family settled on the land, two or three more will find employment in subsidiary services. No plans at present on foot either in Jordan or Lebanon can accommodate even half the people now herded there.

It would be far better to admit realistically that only two courses are open to the few interested member governments of the United Nations. One is to stimulate demands for labour from member states, not necessarily from Arab states only; for the individual refugee is not as unwilling as he once was to listen to such offers, even though it means giving up the UNRWA ration card which is the only certainty in his life. The other is to let the problem drag on for decades, and to accept the annual burden of paying out for relief from starvation sums which yield no dividend because the basic grievance remains.

The founders of UNRWA intended that it should apply the first remedy. Why has it failed? To blame defects of the organisation is to behave like the player who misses his shot and scowls at his racket. The real blame lies with the governments, western as well as Arab, who have had a hand in its work. The Arab governments, in the first place, have no reason to put the Administration to the use that intended. To them its mere existence is a godsend, a satisfying proof that the West admits guilt in the Palestine settlement. They also find it a useful buffer between themselves and the mass of refractory indigents whom their own administrations are too weak to handle. The western governments have tried to make the Administration work, but in a spirit of make-believe, deceiving themselves with the thought that economic means alone can remove what is a grave political problem. In the financial year 1952-53 they intended to spend $60 million in the Arab states on works leading directly to refugee settlement. Most of that sum has been allocated to "projects," but the latest figures available show that up to the end of February only $1.1 million was actually spent, plus $900,000 for administrative expenses. The Arab governments, by sheer inaction, have made it politically impossible to spend more than one-thirtieth of the money available.

Settlement operations are also held up by economic obstructions. The western subscribers to the Administration have not wished to get involved in the general problem of Middle East poverty and have, therefore, insisted too much that funds be spent only on direct benefits to the refugees. But Arab governments, whose peoples are all lamentably poor, cannot admit that newcomers should receive special benefits. So the vicious circle continues: general development schemes, which provide the only method by which large numbers can be absorbed into local economies, have proved politically impracticable. Syria is the nearest state which, if aided and developed, would need and could attract labour; yet it has not accepted such schemes. It has held back in the hope that Israel will pine and die; or because it does not trust the United States to make Israel conform to UN rulings; or because acceptance of foreign aid reduces its claim on the conscience of the West to remedy the Palestine settlement. Such ideas have to be removed if Syria, or, indeed, Iraq, is to budge.

The circle can be broken only by giving up the illusion that political resistance can be overcome by economic means unsupported by a determined political purpose. A way of breaking the deadlock—difficult but not impossible—is now beginning to emerge. It is provided by the hopeless economic weakness of Israel and Jordan, both of which live only thanks to subsidies from the West. It should be possible to reinforce the

present Anglo-Franco-American guarantee of the frontier between those two states by dictating a permanent and economically less fantastic line. The process might need the backing of force, and its price would be high, though no higher than relief paid over future decades without dividend. It would include a large contribution to the collective compensation which Israel admits that it owes for Arab loss of assets, but which it is too poor to pay. It would mean financial pressure on Israel to cede under-developed frontier fields and orchards, and on the Arab states to abandon a blockade that is more damaging to Jordan than to Israel. It would mean a dignified insistence by Christian governments that the UN resolution making Jerusalem—at present twin slums with a veneer of orderliness—a *corpus separatum* be carried out. It must end the fiction that the refugees can or want to return to their former homes in Israel.

By playing at UNRWA the western governments are following the old British habit of behaving as if nothing can be done unless it is agreeable to both Arabs and Jews. Nothing ever was, and nothing is, agreeable to both: they consort only if made to do so. A dictated settlement is the only cure for a disease as deadly to western as to local interests. It would raise, it is true, an outcry that would swell as it spread farther from the frontier and would become a roar in New York; but unless the nettle is grasped there is no chance of starting a sequence of events that would settle the refugees and so prepare the way for some degree of confidence in western intentions. What otherwise is the outlook for pauper Israel and pauper Jordan? Or for any lasting arrangements between the Arabs and the West? These are some of the questions Mr Dulles should ask himself as he comes to Jordan. For if he is primarily interested in the security of the Middle East, then he will find that the danger of war lies for the Arabs not in Russia but in Israel, that the condition of creating a defence organisation is that they should trust the West, and that the West is being judged not by what it plans for the improvement of the future but by what it will do to remedy the injustices of the past.

Hearing the African

TWO separate debates in the House of Commons on the same subject in the same week is an unusual occurrence. That this has happened over Central African federation is a measure of the interest and anxiety it has aroused. Fortunately, the second debate, in which a second reading was given to the Bill enabling the Government to bring the federal constitution into force by order-in-council, was much the better of the two. Both Mr Lyttelton and Mr Attlee rose to the occasion, and the tone of the debate was much less partisan than on Monday. Mr Attlee, though affirming his party's right to vote against the second reading of the Bill—to register disapproval of the speed with which federation was being pushed through—gave a statesmanlike pledge of Labour support once federation was law. It is a pity that more of the debates on federation have not been conducted in the same spirit.

Yet Monday's debate, which produced no Labour abstentions in the division such as had occurred in March and occurred again on Wednesday, hardly justified Mr Lyttelton's complaint that the Labour party was merely trying to paper over its own cracks. It took place on a Labour motion that African petitions against federation should be referred to a select committee of the House of Commons and that the signatories should be allowed to appear in person before the committee. Probably, the motion is one that would, on the face of it, commend itself to most people in this country. It appeals to the British instinct for fair play. Nobody likes imposing on unfranchised Africans a scheme of which they are intensely suspicious. Since they cannot outvote the scheme in their own legislatures, here is a device for enabling them to make their protests before the Parliament that is still ultimately responsible for the government of two of the territories to be federated.

This argument is lent some force by events in the territories concerned since federation was debated in March, events that have confused rather than clarified the issue. In Southern Rhodesia, the referendum showed a larger majority in favour of federation than had been expected. It is also significant that although the Africans in that territory are alleged by the opponents of federation to be overwhelmingly opposed to it, the 4,000-odd of them who could have had themselves placed on the electoral roll, and thereby enabled themselves to vote against the scheme, did not bother to do so. In Northern Rhodesia, the two days' strike called by the African Congress was a failure—thanks in part to the commendably responsible attitude of the African trade union leaders on the copperbelt, who refused to advocate industrial action for political ends. Yet the two Europeans nominated to represent African interests in the legislative council voted with their two African colleagues against the scheme. One of them, Mr Moffat, took part in the last London conference and then gave the impression that he was satisfied with the revised scheme—partly as the result of concessions that were made to his point of view. Since he has now identified himself with the African opposition, it looks as if he has found that opposition much more clear-cut and widely based on his return to Northern Rhodesia.

In Nyasaland, the two African members on the legislative council walked out when the federal scheme was debated. The chiefs in that territory appear to be uncompromisingly opposed to the scheme and have aligned themselves with the politicians of Congress. The chiefs of Northern Rhodesia, however, are not entirely unanimous. The paramount chief of the Barotse, the biggest tribe, has declared that he will not oppose federation provided that the special protectorate status of Barotseland is preserved in the constitution—as indeed is proposed in the federal scheme.

But confusing as the state of African opinion may be, it does not follow that the course advocated by the Labour party in Monday's debate would be practicable or, in the long run, advantageous. If Africans were given the chance of voicing their opposition to federation to a select committee, they would naturally assume that they were being given a chance to prevent federation from coming about. The opportunity would be seized by the extremist nationalist leaders to organise the opposition, and the select committee would find it as difficult as the people of this country do today to distinguish between opposition that is fomented by politicians in their own selfish interests and opposition that is based on genuine fears of European domination.

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It was argued that the motion need not delay proceedings on the enabling Bill. Africans would then realise that there was no chance of preventing the scheme altogether; all that would be necessary would be some delay in approving the order-in-council, and this delay, it was said, would be well worth while if as a result African opposition were overcome. This was the gist of Mr Marquand's argument in the most temperate and constructive speech of Monday's debate. Yet it is more likely that even the appearance of hesitation in implementing the scheme would have the same effect as hesitation itself. Extremists on either side would intensify their efforts; wild and provocative statements would be made that would destroy what slim hopes remain of founding the new federal state on a basis of inter-racial goodwill.

Must this, however, be the last word to the Africans who are genuinely fearful of the future? There is a strong case for sending a Parliamentary delegation to Central Africa as soon as the enabling Bill is law and the order-in-council approved. Federation has had an unhappy history. The Labour Government, which was responsible for starting the scheme, lacked the courage of its convictions and enabled extremism to get the upper hand. The Conservative Government has shown determination to push the scheme through, but Mr Lyttelton seems to lack his Labour predecessor's ability to see things through African eyes. Lack of determination on one side and apparent lack of sympathy on the other have prevented Great Britain from playing its part in making federation a success. The Labour party has come to be identified with the African cause and the Conservatives with the European. The Europeans' cause is now in the ascendant; it is on them—on their words and on their deeds—that the main responsibility for improving racial relations now lies, and the best news that has come out of Central Africa for months is Sir Godfrey Huggins's expressed view that the proposed university for the three territories should be open to all races on equal terms. Hardly less important in its implications is the announcement, also made in Wednesday's debate, that the managements of two of the copper companies are trying to initiate talks with the European trade union on the advancement of African labour. The whole case for proceeding with federation rests on the assumption that the Europeans, now that greater powers are to be transferred to them, will show that African fears and suspicions are largely groundless. But a great deal might be done to allay them if, once federation is an accomplished fact, a mission, not necessarily composed solely of members of Parliament, were to visit Central Africa and listen to the Africans with patience and sympathy. A great deal of misunderstanding might then be cleared away, which, if allowed to persist and be fed by extremist propaganda, would blight the new federation from the start.

Links With Latin America

ON Monday the Duke of Gloucester is to declare open the new London headquarters of the Hispanic and Luso-Brazilian Councils. The ceremony at Canning House will symbolise the new attitude towards Latin America that is slowly developing in Britain. Last November, for the first time in many years, this important region was mentioned in the Queen's Speech at the opening of Parliament. Among other signs of official interest in recent months have been Lord Reading's goodwill visits, a demonstration tour by a flight of Canberras, and the journey to the Caribbean republics of a trade mission sponsored by the Board of Trade, whose report was published this week.

A beginning, at least, has thus been made with the strengthening of Britain's "long-standing ties of friendship and of mutual trade" with Latin America that was promised in the Queen's Speech. As yet, however, it is no more than a limited beginning. Many Latin Americans visiting London now receive the encouraging impression that official interest in their countries has increased; but to their compatriots at home last year's reduction of British information services in Latin America is a more conspicuous fact. Nor can it be said that unofficial thinking is ahead of official policy in this matter. The commercial and industrial concerns that enable Canning House to carry on its educational and social activities are to be praised

for their enterprise, whether its fruits are seen in Belgrave Square or in Bogota or Bahia ; but they are a relatively limited group, and the attitude towards Latin America of a great many British businessmen remains one of polite disinterest.

Yet the attitude of the businessman was never more crucial. The British connection with Latin America has always rested upon trade. This has been true ever since Spain's commercial monopoly was swept away a century and a half ago ; and before the first world war a quarter of all Latin America's imports came from the United Kingdom. But the last four decades have seen this trade rapidly dwindling—while, ironically enough, they have also witnessed the dramatically swift development of most of Latin America, and the conversion of part of it into a highly desirable dollar market. Today, the old colonial towns to which our grandfathers built British railways and shipped British textiles have mushroomed into cities of skyscrapers, with busy airports where one may see the commercial agents of every trading nation in the world. The population of the twenty Latin American republics is rising sharply (that of Brazil alone increased from 41 to 53 million between 1940 and 1950) ; their national wealth and economic activity have increased with equal speed ; and their foreign trade has multiplied itself several times, both in value and in volume, since the early years of this century.

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This great upsurge, however, has been accompanied by an equally marked decline in the British connection. In 1910, 25 per cent of Latin America's imports were of British origin ; in 1938, only 12 per cent ; in 1951, under 7 per cent. In the past three years, the United States has provided over half of the twenty republics' imports, while Western Germany has restored its Latin American trade to the same order of magnitude as that of Britain—an achievement which ranks among the most startling of the Federal Republic's postwar feats. Other European countries, and also Japan, have improved their positions in this important market. For Britain, however, there is little sign of a break in the clouds, and it is still questionable whether it can even hold on to the modest share of the Latin American market to which it is now reduced.

It would, of course, be ridiculous to blame the commercial world itself for more than a small part of the loss of trade that Britain has suffered in Latin America. Quite other factors have been responsible ; to note them briefly (since post-mortems are always painful), the sharp blows dealt to trading relations by two world wars, the resultant strengthening of the United States' position, the twenty republics' natural efforts to protect their own growing industries, and the drastic reduction of Argentina's foreign trade activity have between them made it impossible for Britain to regain its former preeminence in Latin American trade. Yet this does not tell the whole story. Why, it must be asked, has the British share in this trade continued to fall, while the shares of other European countries, equally affected both by United States competition and by Latin American protectionism, have increased ?

It may be said, cruelly but with some measure of truth, that British trade has suffered because it was partly directed to selling the wrong goods in the wrong places. Among the staples of the old British export trade to Latin America were textiles and other consumer goods of types which fell early victims to the republics' protectionist programmes. Moreover, the main weight of the British commercial effort was concentrated on the southern part of the continent—not only in Argentina, the decay of whose foreign trade is notorious, but also in the other five "non-dollar" republics (Brazil, Chile, Uruguay, Peru and Paraguay) all of which have had to restrict their trade severely owing to lack of foreign exchange at various times since the war. British traders paid relatively little attention to the fourteen smaller republics to the north ; yet it is these countries that have both preserved the hardness of their currencies and proved able to import more freely. Last year they imported over £1 billion worth of goods, paying on a dollar basis ; but only 4 per cent of these imports came from Britain.

The report of the Crosland trade mission, which visited five of these dollar-account countries (Mexico, Venezuela, Colombia, Cuba and the Dominican Republic), comes as a timely and authoritative reminder of the scale of the opportunity that exists in this area. The mission emphasises the fact that these swiftly developing countries have programmes for the expansion of their industries, communications and public works, which call for immense quantities of engineering products and other capital goods of types which Britain can now supply. The bulk of this capital equipment is being provided by the United States, while continental Europe has also obtained substantial orders. If Britain has failed to secure more than a fraction of this valuable dollar business, this is not because its prices are too high but because its products and techniques are little known. The trade mission, therefore, urges that British consulting engineers should be given a foothold in the Caribbean countries, and in particular that Britain should be adequately represented in the technical teams sent to the dollar republics by the International Bank. Hitherto, these teams have consisted almost exclusively of Americans, with the natural result that equipment for projects endorsed by the Bank has usually been ordered from the United States.

The Crosland mission's report has already been criticised for restating the obvious fact that in highly competitive dollar markets neglect of detail must lead to costly losses. Yet the fact that the mission found it necessary to stress this point shows that many traders still fail to grasp the obvious. The relatively small commercial communities of the dollar-account republics are whispering galleries which echo every British failure to answer an inquiry promptly or to provide adequate spare parts. Real damage can be done by even a small mistake, if it reveals a failure to understand the mood and need of Latin America. If, as may be hoped, the mission's report is to be widely read among British businessmen who have not hitherto taken the Latin American dollar market seriously, it was right to say these things.

Indeed, quite apart from the value of its detailed recommendations, the most encouraging feature of the report is the fact that it was clearly written by men who have taken the trouble to start from the Latin American viewpoint. There is no trace here of the dour old attitude of "our stuff is good ; why won't these fellows buy it ?" The mission has begun by considering the Latin Americans' real needs, and has gone on to see how Britain can help to meet them. Its report is, therefore, more than an exporters' handbook ; it is also an additional piece of evidence to support the argument that greater trade between Latin America, Britain and Europe is necessary for both parties. This thesis was argued at length in a recent United Nations report, which pointed out that both continents suffer from lack of dollars, and that both can ease this difficulty by developing their mutual trade. Indeed, it is now habit and haste, rather than any clear economic advantage, that lead Latin Americans to buy from the United States so much that they could get elsewhere without exhausting their dollar balances ; while, on the other hand, it is clear that a country such as Britain cannot indefinitely continue to find dollars for, say, the sugar of Cuba and the Dominican Republic, if those countries insist on rejecting British goods in favour of American ones. A greater volume of trade across the South Atlantic would offer clear advantages to both sides, and the Crosland mission's report should stimulate increased interest in the widening horizons of trade with Latin America.

Mink to Beaver Lamb

THERE is no overwhelming reason why London should be—as it is—the centre of a big international fur trade. Any one of half a dozen other capital cities would serve just as well for the meeting point of furs from South West Africa or Russia or Canada on their way to Germany or the United States or Latin America. No doubt, like most London commodity markets which serve an international rather than a purely domestic trade, the London fur market owes its existence largely to historical accident. Even so, there must be more than mere commercial conservatism at work, for during the war the business was lost entirely to New York, yet subsequently re-established itself in London as firmly as ever. After some initial help with hard currency to prime the pump, it has since paid its way with the dollar countries, and even proved a net dollar earner. In the contemporary world this market is something of a curiosity. Raw fur has never suffered much from the attention of governments, nor lent itself to the organisation of big business. It remains one of those highly competitive open markets more familiar in the never-never land of textbook economics than in the real world.

The highlights of the year are the periodic raw fur auctions, noted by a babel of tongues in the the Garlick Hill district. Whether furs are bought by English or foreign dealers in the first instance, the bulk of them are ultimately re-exported in a raw state ; only a few are retained for the home market or for export in various stages of dressing or manufacture. The quantities of furs offered at the auctions have risen sharply over the past few years, though the proportion of re-exports fluctuates considerably.

The Hudson's Bay Company's auctions of their own Canadian furs originally established this trade in London, and in time they attracted shipments from sellers in all the producing countries. Today the company's four or five auctions a year (together with those of three specialised brokers) are the occasions when this impressive twenty million pound turnover takes place. The New York market is bigger ; but it is mainly a domestic affair, and since the war the currency problem has kept it so. The rest of the world's fur trade is dominated by these London sales. There are two reasons for this extreme concentration. One is the advantage of size, of collecting large quantities of furs together for fine sorting and grading of an uneven, unstandardised product. The bigger the melting pot, the more the likelihood that the hundred assorted pelts from some small producer will each find a home in a bundle of its exact fellows, where it will bring the best price from the buyers who want well-matched skins. The other is the skilled service of brokers in carrying out this sorting in a way that commands the confidence of both parties. At the sales of the Hudson's Bay Company, for example, the buyer will bid many thousands of pounds for lots he has never

THE TRADE IN FURS
(£'000)

	1938	1949	1950	1951	1952
Re-exports (mainly raw)	*9,039*	5,983	11,120	17,298	19,092
British home produce (mainly rabbit)	*596*	778	1,053	1,272	753
Manufactures (at all stages)	*1,971*	2,776	4,079	4,207	4,026
Total Exports	**11,606**	**9,537**	**16,252**	**22,777**	**23,871**
Total Imports	**13,519**	**8,802**	**16,209**	**25,999**	**21,761**

seen, trusting to a sample and to the company's grading experts. The transport costs of fur are negligible in relation to its value, so the trade gravitates to a central market, and the reputation of the four London brokers keeps that market firmly anchored here in spite of efforts to tempt it away to Paris or Frankfurt.

Although many foreign buyers attend the auctions, most of the purchases pass through the hands of London dealers. Some of these are commission agents, acting partly for manufacturers in this country but probably doing most of their business on overseas account. Other dealers are, of course, merchants buying on their own account and often re-selling on extended credit terms. The intermediaries of both types are said to number in all about seven hundred; many of them are one-man or small family businesses which come and go with the winds of prosperity. A jigsaw of small operators—some specialising in particular types or grades of fur, some specialising by market and others in cheap oddments or costly varieties—they constitute the colourful, the adventurous part of the fur industry. In the little side streets behind the dignified headquarters of the Hudson's Bay Company, everything from fifty raw rabbitskins to a coat bundle of "sapphire" mink has its market price at any hour of the day. No one firm could carry such expensive stock in all its varieties, and no outsider who had not talked and thought and dreamt about fur from the cradle could hope to play this erratic and highly technical market with the slender resources that commonly obtain. The initial entry of a bundle of furs into the merchanting network is a strictly cash transaction—the fur auction. This necessity for large cash payments for raw materials is a continual strain on the unorganised and generally undercapitalised fur merchanting business; and the frequency with which later credit transactions are settled by bills of exchange, discountable at the banks, is due to the need to carry and spread this strain. Since many small speculators are thus tightly committed to future payments at fixed dates for an expensive commodity with an uncertain outlet, it is hardly surprising that whenever business sags many firms die and are reborn.

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Dressing furs—that is cleaning, oiling and refining them ready for manufacture—is a complex industrial process in which laboratory secrets play an increasingly important part. Leipzig, that fabulous craft centre of pre-1914 days, had a traditional monopoly of fur-dressing, along with dyeing and other chemical processes, which was increasingly challenged in the inter-war years, but not finally lost until the Nazis drove out the Jews. In England, fur processing is dominated by one firm, together with some two dozen other, mainly specialist, firms engaged in dyeing and dressing for the trade. Abroad, Frankfurt has now attracted many of the old Leipzig craftsmen, and is building a big trade on Germany's recent demand for cheap furs. In France, Italy, Belgium and Scandinavia, and wherever Jewish craftsmen settled after the migration of the thirties, local fur industries are springing up.

The types of fur dealt with are always changing. There is now a much greater dependence on ranch-bred furs than before the war, and a consequent tendency to hold more special auctions throughout the year instead of a few general ones. The long-haired furs, skunk, opossum and, above all, fox—once so important for neck furs, capes and coat collars—have fallen out of the favour they enjoyed in the thirties. Nowadays the slim furs, suitable for coats, and mink above all, are the furs of chief importance whose prices have risen. Mink now dominates the market for better quality furs, and so many varieties are bred that its price can be anything from fifty to five hundred shillings a skin. The United States and (to a smaller extent) Canada breed mink in huge quantities, but it is ranched in Scandinavia as well—and even in English back yards.

Even more striking than the dominance of mink is the rise to fame of lamb. Persian lamb farming was tried in South-West Africa before the war, largely for the German market. London thought poorly of its prospects then; "Wool, after all, is not fur." But with skilful dressing and dyeing, it has forged ahead since the war, to enjoy a popularity second only to that of mink among costly furs—and that in spite of being farmed in vast quantities in South-West Africa, instead of coming, in limited supplies, from remote uplands of Central Asia. The London market received £5½ million worth from South-West Africa alone in 1952 (a six-fold increase since 1948) besides smaller supplies from Russia and Afghanistan.

The fur processing and manufacturing industry operates chiefly for the home market. Of its total output of dressed furs and finished garments, nearly two-thirds remain in this country (of finished garments, five-sixths). Some nine thousand people are employed in it, most of them in small firms, most of them relying on the bread and butter trade in cheap coats as near as possible to the tax-free limit of £12 10s. wholesale. For most manufacturers would rapidly go out of business if they had to rely on sales of medium-priced or expensive coats, with a high rate of purchase tax, to the present-day public. But even in the cheapest coats the cost of the fur is all-important. This is where the humble rabbit comes in, its skin transmogrified by science. Even more important, this is where the common or garden sheep fills yet another of its many roles. The epoch-making discovery that all wool is potentially fur is not only making fortunes in South-West Africa; thanks to the postwar prices of woollen (cloth) coats, "Beaver Lamb" coats have provided the English fur manufacturers with a mass market that has been their salvation. But the ball never stops rolling in the fur trade. If fashion can bless the trade by decreeing that wool shall be fur, may it not soon blast it by saying the same thing about the new nylon imitations?

Notes of the Week

The Battle of Laos

THE Communist drive into Laos has posed in a new light many of the old questions about Indo-China. It is forcing public opinion in the free world to probe again into the murky background of this interminable war, and to look more closely at problems that the quick passage of time had begun to blur. Uncomfortable as this process is, it is essential if the present dangerous drift towards defeat is to be reversed. Moreover, three of the immediate questions raised bear directly on the whole cold war in Asia. Should the Indo-Chinese war be brought up at the United Nations? What is the purpose of the Chinese and Soviet governments—if indeed they have effective control over the rebel Vietminh—in launching this thrust into Laos at a moment when moves have been made elsewhere that have at least a peaceful appearance? And, not least, what will be the effect of probable further successes by these Communist forces under General Hoang Minh Tao on the situation in South-East Asia as a whole?

To none of these questions is there a quick and simple answer. The Indo-China war is certainly no longer just a matter of domestic concern to France and the French Union; this has been recognised in the United States' payment of 40 per cent of the cost and in the Atlantic Council's declaration of interest last December. But to bring the problem before Uno would produce extra military help only at the risk of provoking an open Chinese invasion; there is nothing to be gained by turning Indo-China into another Korea. In addition, a public debate in the Assembly would provide some delegations—perhaps those from Asian states such as India—with an opportunity to let off steam about colonialism, from which none would benefit except Communists. In France itself such a discussion would serve to undermine rather than stiffen morale.

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The main immediate reason for the Communist action is probably sheer opportunism; it was easier to move into Laos than to make yet another attempt to take the Red River delta by direct assault. On the other hand, *Pravda's* reply to President Eisenhower neatly suggested that he had been sadly misled if he thought that the Soviet Union could, or would, attempt to hold back the forces of history in the colonial world. Whether or not there is to be a *détente* in Europe or a discussion of the leading problems in the Far East, *Pravda* implied, the struggle for liberation from imperialism goes on. To invade Laos must seem to the Communist mind a good way of proving it.

The probable effects in South-East Asia are causing serious concern in Paris, London, Washington and Bangkok. At best, the Vietminh invaders will be unable to take the whole of Laos before the rains; but what they have done so far has been sufficient to push King Norodom Sianhouk of Cambodia into a threat to make common cause with the Vietminh unless he gets complete independence from France; and already the Siamese ambassador in Washington, Mr Sarasin, has been begging for more American arms. At worse, the fall of Laos and then of Cambodia might be accompanied by Communist success in forming a "Free Thai State" and producing a *coup d'état* in Siam.

These are the possibilities and problems to which Western policy must now be applied. Unfortunately, disagreements about long term aims have hitherto prevented decisive and immediate action. Now, unless the invasion of Laos can be used as a last chance to bring about full political agreement between the French and their partners in the Associated States, there is little hope of ultimate military success. If the position in Indo-China continues to deteriorate at the present pace, all the progress of the last few months in Malaya and elsewhere in South-East Asia may prove to have been made in vain.

The Eisenhower Way

IT can now be assumed that all military staffs in the West have given up planning for a critical date at which the danger of war is likely to be at its greatest, or much greater than it is now. It is doubtful whether this is due to improved intelligence about Soviet intentions, and even more doubtful whether it is due to clearer thinking in cabinets. The cause has lain far more in three factors: the increasingly accurate estimates that are being made of what the Atlantic allies can afford to produce for the common defence; the resulting insight into the staggering cost of maintaining, as distinct from creating, modern forces; the determination of politicians not to make themselves unpopular by insisting that danger of war persists when the man in the street believes it is passing. For the growth of these influences Sir Winston Churchill and his advisers can, if they wish, claim some of the credit. But it is President Eisenhower himself who is leading the Atlantic alliance towards the policy of small, powerful, up-to-date forces.

Something of this important change of outlook is reflected in reduced estimates of funds for foreign aid and defence now submitted to Congress. How these cuts will affect American strength and the British balance of payments is discussed elsewhere in this issue (page 366 and page 384) but it is already clear that the pattern of rearmament will change. And hard things will doubtless be said (the President has already said a few) about the ideas and figures that prevailed hitherto. Before the reputations of Mr

Truman and Mr Acheson are riddled by a barrage of wisdom after the event, it is only fair to say this: without the idea of working to a critical date, without bold and spectacular plans for years ahead, without shocking the imagination of the western democracies it is most doubtful whether they would have the effort they have made. President Eisenhower and Sir Winston Churchill make cuts and claim wisdom because Mr Truman and Mr Attlee took risks and made guesses. This should not be forgotten.

The General without Party

THE decision of General de Gaulle's following, the RPF, to cease operating as a party in municipal and parliamentary affairs is a startling piece of political realism. The Gaullists had suffered a formidable defeat in last week's municipal elections, and it was clear that their parliamentary group would split even further when the National Assembly reconvened on May 12th. In foreign affairs, the RPF had fought a constant battle against the European Defence Community without, however, devising a workable alternative. In domestic politics, owing to clumsy parliamentary manœuvering, the Gaullists opposed M. Pinay, with many of whose measures they in fact agreed; but they supported M. Mayer, with whom they had virtually no common ground. The sense of political frustration that afflicted the RPF was being constantly aggravated, moreover, by the General's own attitude. Increasingly he has withdrawn into silence and aloofness from the transitory happenings of daily political life. It was doubtless the combined effect of these things that led to his party's decision that it should continue as a group of individuals with similar views rather than as a regular political unit.

The history of Gaullism and its present exit form a disturbing chapter in French politics. In 1947 General de Gaulle and his followers emerged with high hopes and an electoral triumph. Theirs was the dream of reforming France's fiscal system, of simplifying the judiciary, of strengthening the executive and the bonds of the French empire and of fighting Communism on its own ground, with its own energy and sense of dedication. Instead, the RPF became just another political party with blunt axes to grind. It involved itself in continued and sterile opposition against successive centre coalitions, some of which it helped to destroy and to others of which it gave embarrassed and unreliable support. Soon the Gaullists in the Assembly split into two parties, and in their internecine struggle much of the initial sense of high purpose vanished. The General understood this long before his supporters, and left his party with a leadership made up half of more or less skilful politicians, and half of great memories.

However much one may have disagreed with this or that aspect of the Gaullist programme, the exit of the RPF should give no cause for rejoicing. It constitutes a major triumph for the Communists and is in itself a grave indictment of present French politics in which considerations of the national interest seem to have small place. It is to be hoped that men as obviously gifted as M. Soustelle and M. Palewski will be able to continue their work, and that the French people will at last find some way of showing to General de Gaulle that his great hours are not forgotten. His tactics, policies and arguments were often wrong; but much in his diagnosis of France's weakness is correct.

Lords and Commons

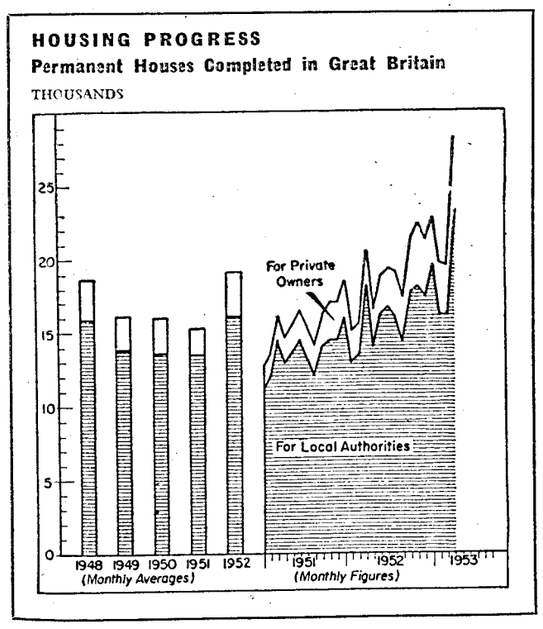
THE Opposition's censure motion, which the House of Commons debated on Tuesday, brought the dispute over the Lords' amendments of the Transport Bill to an unexciting climax. The argument revolved round two questions. Had some violence been done to constitutional principles? If so, who was to blame? The Opposition were chiefly concerned to prove that the Government's use of the guillotine to close discussion of the amendments in the House of Commons was unconstitutional; the Government concentrated on pinning responsibility for the outrage on Opposition filibustering. Both sides may feel that they substantiated their points. Mr Lennox-Boyd's detailed analysis of the Lords' amendments, showing how limited in scope most of them were, dispelled any lingering doubts there might have been about the Opposition's behaviour; it carried its rights of debate to unnecessary lengths. At the same time, Mr Morrison's claim that some of the few amendments of weight were never considered by the Commons was never seriously challenged.

So many words had already been spilled over this dispute that some straining for effect was inevitable. It was left to Mr Bevan to use the occasion for a hectoring attack on the House of Lords as an institution, a line of argument which naturally touched off a ready response, not only from the minority on the Opposition benches who advocate single-chamber government but also from the larger number of Labour MPs who retain a sentimental affection for the controversies of their youth. Provided that the Government does not offer further provocation, this flicker of feeling against the Lords has little significance.

No doubt in anticipation of some such display from Mr Bevan, Labour MPs packed the chamber for his speech. This was, however, the only stage at which the debate ever approached the tension normally associated with a censure motion. Mr Morrison, who is, after all, the Opposition's deputy leader, could not attract 100 of his supporters at a time into the chamber for his opening speech, and even fewer Conservatives were present. There might have been more interest if either side had paid some attention to the ways in which the same trouble could be avoided in future. Mr Lennox-Boyd suggested that the Opposition had used "a gap in our Parliamentary procedure to hold up proper Parliamentary business." He might have explained how the Government proposes to close the gap without damaging the unquestioned right of the House of Commons to be, in Mr Morrison's words, "the predominant legislative authority." It is plain that political tension is already easing in deference to the approach of the Coronation, but a serious discussion of a valid procedural difficulty need not have heightened it.

350,000 Houses

IF March were an average month, the rate of building new houses in Britain would now be 350,000 a year, and Conservative platform orators could already claim that their derided target of 300,000 houses was unduly modest. In fact, of course, the number of houses finished in any one month reflects many accidental circumstances and the March number (29,000, compared with 22,000 in March last year) is unlikely to be maintained. Even so, this new record for any month since the war has an important significance in the success story of the Minister of Housing. It means that 69,000 houses were completed in the first quarter of the year, compared with 53,000 in the same period of 1952. In every year since the war, fewer houses have been built in the first quarter than in subsequent quarters. There is every reason to expect this pattern to be repeated, and it is more than ever likely that the vision of 300,000 houses, which came to the Conservatives after they had failed to displace Labour at the 1950 election, will this year become a reality.



This has been done, moreover, in a way that prevents any effective counter-propaganda by the Labour party. Greater freedom for private building has enabled some 5,000 more houses to be built for sale in the first quarter of 1953 than were built in the same period of 1952. But, at the same time, the number of houses built to let increased by 10,000. No one can say that Mr Macmillan's policy is housing for the rich; on the contrary, it is housing at the expense of the taxpayer. Each additional council house built means another £37 10s. from the Exchequer alone, in addition to the subsidies from the rates.

The very success of Mr Macmillan's policy means, indeed, that more than ever it should not go on. The election promises are being fulfilled this year; that done, the Minister of Housing can surely feel free to turn to less crude and more important tasks than that of providing the greatest possible number of houses in the shortest possible time, whatever the cost. It is more than time to think about slum-clearance rather than about building everywhere, and to think also about the uneconomic level of controlled rents that is the dry rot of existing houses.

West Indian Teamwork

A SENSE of West Indian solidarity, fanned solicitously by the Colonial Office, grew steadily during the London conference on federation. The conference therefore ended last week with unexpectedly hopeful results. The delegates worked through the Rance committee's proposals for a federal constitution of the Australian type, and agreed upon a revised version. This remains to be accepted by the island legislatures individually before it can be brought before the United Kingdom Parliament; that will take time. Moreover, Mr Gomes, of Trinidad, made some reservations, and though opinion in Jamaica has become increasingly favourable, both Mr Manley and Mr Bustamante will scrutinise the Governor-General's reserved powers in order to decide whether the scheme is a "sham" or not. These powers have evidently been whittled down, but how far will remain uncertain until the White Paper is published.

The modifications agreed at the conference are in practical detail rather than in principle. To conserve scarce Parliamentary experience, members of island legislatures will be allowed for five years—until the constitution is reviewed—to serve as members of the Federal House of Representatives as well. In the executive body, the Council of State, seven unofficial members, nominated by the Prime Minister, are now to outnumber the six members nominated by the Governor-General (three from the Senate, and three others). The council becomes more like a cabinet responsible to the lower house. The rivalry of Jamaica and Trinidad has been resolved by putting the federal capital in Grenada, which, it is to be hoped, West Indian politicians and officials will like better than their Australian opposite numbers like Canberra. While the federal power has been weakened financially by having its proposed share of customs revenue reduced from 25 to 15 per cent, Britain has now undertaken to make a capital grant of £500,000 to establish the federation, and to make grants adequate to cover the budget deficits of the "units" that have hitherto received grants in aid.

Federation in the Caribbean is thus nearer than ever before. Moreover, while the conference was sitting, the People's Progressive party won the first general election held under the new constitution in British Guiana, with a programme including adherence to a federation. Possibly the party upheld this idea because the former legislature rejected it, but one may hope that it will stand firmly by this intention—while reconsidering some of the more extreme proposals of its election manifesto. Nationalisation will not increase Guiana's wealth or hasten its development, while the demand for independence will be more realistically pursued through membership of a West Indian dominion.

Full Circle at Panmunjom

THE news that the Communists had dropped their insistence on the removal of hesitant prisoners from Korea could hardly have come as a complete surprise to any careful observer. True, General Nam Il had given no outward sign that he was going to yield on this point. Yet, in

yielding, the Communists have merely conformed to the pattern of tactics set out by Chou En-lai six weeks ago. When, on March 30th, the Chinese foreign minister suddenly agreed that Chinese and North Koreans "who are afraid to return home should be handed over to a neutral state," he tacitly admitted that for nearly a year the Communists had kept the war going by insisting on a point which was not essential to them—the repugnant principle of forced repatriation. Nam Il has now made a similar tacit admission. It would seem that the Communists have almost exactly repeated their now familiar routine: to state an unreasonable demand, to wait to see if public impatience in the free world will force the United Nations negotiators to accept it and, if that fails, to drop it as blandly as if it had never been made.

Against this background, some of the criticism recently launched against General Harrison, the chief UN negotiator, looks distinctly wide of the mark. It is true that the General does not give the impression of a man completely at ease at the conference table, and his statements to the press seldom bear reporting in full. But it is difficult to see what the most urbane of diplomats could have achieved in the hut at Panmunjom. At the least, it would seem that General Harrison—who, like Nam Il, is no plenipotentiary—has faithfully carried out his mandate to match the Communists both in firmness and in unwearying repetition of familiar argument. It is too early to tell how fast things may develop now that the Communists have made their new move; but the move itself adds to the mounting evidence that the Chinese are at last negotiating to obtain a truce, rather than to prevent one.

European Assembly Line

At Venice last week, a conference of European journalists discussed the difficulty of keeping the public interested in a project as complex and continuous as the movement for European unity. Representatives of even the most serious newspapers said sadly that their editors felt bound to eliminate many reports of conferences and speeches on the ground that even the enthusiastic reader can be bored; and there was some fairly justified criticism of the technical jargon that tends to grow up at such new European centres as Strasbourg and Luxemburg. Nevertheless, many of those present showed a sincere wish to present both the facts about, and the case for, European unity to the widest possible public.

The kind of handicap under which they work is, however, amply demonstrated by the current series of meetings in Strasbourg and Paris, all of which have to do with the plan for "little Europe" which would unite France, Germany, Italy and the Low Countries in a political community. Strasbourg, this week, is the venue for sessions of the Committee of Ministers and the Consultative Assembly of the Council of Europe, and of the Assembly of the Coal and Steel Community. The most important gathering, however, will take place in Paris, on Tuesday; the foreign ministers of the six "Little Europe" nations will then meet to discuss for the first time the draft constitution for the political community that was presented to their governments on March 10th by yet another body—the "ad hoc" Assembly. If it is difficult to arouse a keen interest in these complex proceedings, it is fatally easy for the European press and public alike to get involved in polemics about such detailed issues as the weighting of representation in the projected European parliament. Meanwhile, the assembly line for European unity still moves slowly and jerkily, but it is still moving forward.

Soviet Germany Needs Food

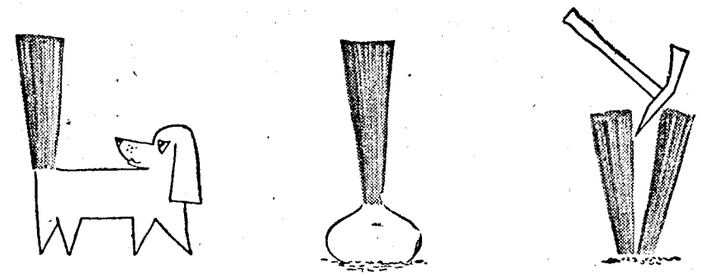
The great mystery in Eastern Europe remains: what is to be the policy of Moscow towards the Soviet zone of Germany now that so much is being changed under the post-Stalin regime? The East German Communists themselves are obviously without any clear clues; are they to remain devoted Stalinists or is there a Malenkov band wagon on which they should now be jumping? The question may remain unanswered for some time yet; but Soviet policy in economic matters may before long suggest one. For some Soviet aid there will have to be.

Last year the East German planners completely misread the prospects and were unable to adapt themselves to the severe winter. The food situation is already serious and will become critical before the next harvest, unless food is imported. Some two million Germans have been deprived of their ration cards; they will have to buy what they need in the State shops at prices four to five times as high as the prices of rationed goods. Thus the Communist planner mops up the surplus purchasing power arising out of shortages of food and consumer goods. The flight westward of farmers and farm workers goes on, and between five and seven per cent of the total agricultural area of the Zone has already been given up. There is great confusion in industrial planning, with bottlenecks preventing the ordered increases in production. The whole system of planning, adapted from Soviet models, is too crude and rigid; and the use of threats and penalties makes people produce sham results in the factories and the villages.

The food crisis can still be mastered if the Russians are willing to help. So far all they have done is to postpone delivery of reparations in the form of food until the next harvest. (Hitherto the German Communists have always denied that food was taken out as reparations.) If they are planning to put the screw on Ulbricht and his colleagues they can do it most effectively by withholding food imports.

Full Employment and Productivity

Mr Attlee, in his May Day speech, reiterated one of the best known and least examined commonplaces of discussions on full employment. Productivity, he argued, depends on the will to work. The will to work is inevitably sapped when, with short time and redundancy in prospect, the worker sees every increase in effort as a short cut to unemployment for himself or his companions. The prerequisite of hearty co-operation in industry is full confidence in the security of the worker's job; to shake that confidence



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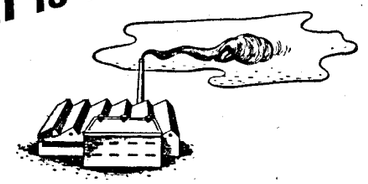
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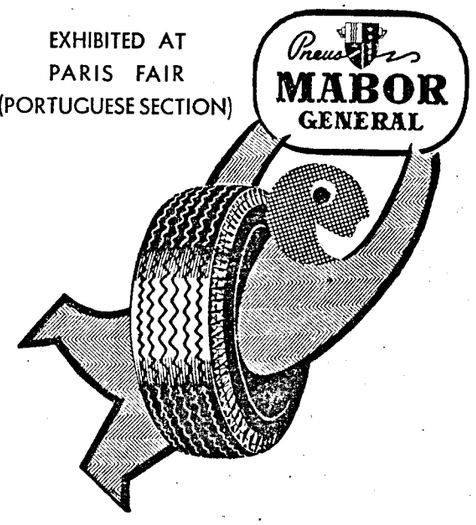
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is to ensure a slackening of effort. Full employment and high productivity are thus, Mr Attlee argues, inseparably linked; this is supposedly demonstrated by their joint decline since 1951. The moral is, of course, to bring back Labour and the brimful employment for which Labour stands.

No one denies, of course, that gross production must—other things being equal—vary to some extent with employment. But Mr Attlee's psychological argument is concerned with output per man-hour. There are, indeed, powerful *a priori* reasons for expecting a threat of unemployment to reduce productive effort. There is also—though it is considered boorish, heartless and immoral—an equally powerful *a priori* argument for thinking that the economic stick will encourage good time-keeping, discipline, attention to the job in hand, and other ingredients of high productivity. No politician has so far seen fit to look beyond the *a priori* arguments to the facts of productivity in those industries which, since 1951, have experienced a decline in employment. Such evidence as there is shows, disconcertingly from Mr Attlee's standpoint, that short time and redundancies have had effects on production per man-hour varying from the negligible to the electrically stimulating; that while time workers do, indeed, sometimes spin out work, pieceworkers go all out to earn their target income in the shorter hours available to them; that time-keeping improves, "frivolous" turnover lessens, and labour costs in general fall.

One may draw encouragement from the fact that this good response to economic pressure was generally reported to be least marked in the factories where labour relations were best. There was less scope for improvement in those cases because the will to work had not previously been so weakened by brimful employment; its effects had been offset, or at least moderated, by good leadership from the management. But this proves only that brimful employment is not an insuperable obstacle to high productivity. It is very far indeed from being the indispensable condition of high productivity that Mr Attlee asserts. But no doubt the myth is too useful to be discarded in a hurry.

Leasehold Reform

THE debate in the House of Commons on Thursday of last week on the subject of leasehold reform served the purpose of getting the formal approval of the House for the policy outlined in the Government's White Paper of last January. But it hardly succeeded in bringing the subject to life. This is perhaps in the nature of the case, for the speeches, after Sir David Maxwell Fyfe's admirably lucid opening, tended to alternate, without establishing contact with each other, between the close reasoning of the lawyers and emotional appeals by members for Welsh mining constituencies, where there happens to be a heavy concentration of maturing leases of small residential property.

The system of leasehold tenure, though in some ways an odd one, has advantages both to the ground landlord and to the lessee. But whereas the advantages to the lessee (that is, the man who owns the house) tend to be greatest at the beginning of the period covered by the lease, for it is then that he gets the land for his house on easy terms, the advantages to the ground landlord lie at the end of the term, when he re-possesses his land with all that stands on it. Hence the political dynamite of the subject. If the Welsh mineworker now has to surrender the house which for many years has been his property, just because the land on which it was built has never been his, and if in addition he has to pay a large sum for dilapidations, he will feel very aggrieved, and his grievance will not be palliated by the reflection that his predecessor-in-title a century ago entered into the bargain with his eyes open.

The Labour Party's instinctive feeling that, in any dispute between landlord and tenant, the best thing to do is to get rid of the landlord, has led it into adopting the policy of leasehold enfranchisement—that is, of giving the lessee the statutory right to buy out the ground landlord. But the Government, following the majority of the Jenkins Committee, has rejected leasehold enfranchisement by reason of a formidable list of practical difficulties set out in the White Paper. Sir David Maxwell Fyfe's challenge to the Opposition to show how they would get over these difficulties was never properly answered in last week's debate—not, at least, in a way that is intelligible to the non-legal reader of Hansard. The Government's plan, in the broadest outline, is to give the residential lessee the right to renew his lease—or, more accurately, to convert it into an ordinary statutory tenancy protected by the Rent Acts. He will have to pay more rent, if only to compound his liability for dilapidations. And instead of being any sort of an owner, he will only be a tenant. But the essential thing is that he

FROM VICTORIA TO ELIZABETH

Mid-century Perspective

The issue of The Economist of May 30th will contain a special twenty-four page supplement illustrated in colour. In a series of six articles some of the main aspects of British life will be considered in the light of the changes that have taken place in the last fifty years. Among the questions discussed are: the Crown and the constitution, the changing pattern of democracy, Britain's position in the world, and the dethronement of money.

This Coronation Number of The Economist, which will also have a coloured cover, will be on sale at the normal price of 1s. Readers may wish to make sure of obtaining their copies by ordering them in advance from their usual newsagent.

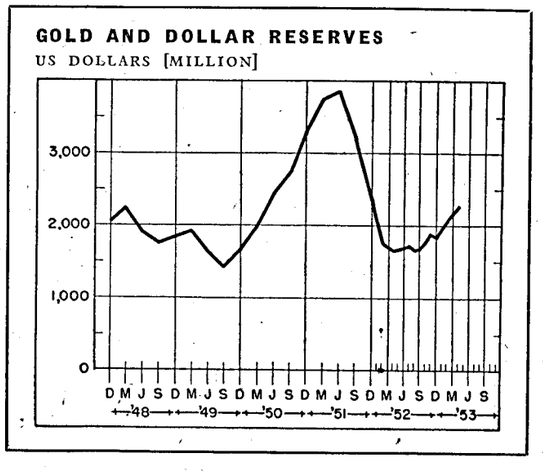
will keep his home without having to raise a large sum to buy out the ground landlord. It is difficult not to believe that, in practice, he will find this preferable to the rather theoretical attractions of leasehold enfranchisement.

The Colour Bar

THE circumstances in which Parliament can legislate far in advance of public opinion do exist; but they occur infrequently. The House of Commons last week debated the colour bar, and clearly failed to establish that any piece of general legislation would abolish the complex set of practices and attitudes generalised in the phrase "colour bar"; Mr Fenner Brockway's motion was therefore rightly rejected. Labour members were fearful that such rejection would produce misunderstanding abroad; if it does, the responsibility will rest with their own refusal to accept an amendment which conceded virtually all that the motion really required or could be expected to achieve. The amendment promised selective legislation whenever and wherever possible, and Conservative members showed themselves of one mind with Labour in condemning discrimination on grounds of racial prejudice alone. But they realistically saw the difficulty of doing more than tackle the problem piecemeal—for example, by writing into the federal constitution for Central Africa the requirement that promotion in the public service must be by merit alone, not on racial grounds.

Remarks were made during the debate which, torn from their context and from the sense of earnest inquiry which distinguished the occasion, will provide ammunition to hostile propagandists—in India, for instance. The debate was none the less valuable, for it showed that the House was alive to an issue which may even determine whether the Commonwealth can survive, and yet be beyond the power of Parliament to influence very greatly. Labour members revealed their predisposition to think of African resentment against discrimination—apparent or real—in terms of the British working-class struggle, but they were silenced by the observation that the colour bar is imposed in its most disabling form by the organised British working class in the copperbelt. Conservatives were able to vindicate much of the settlers' attitude to Africans on the grounds of cultural rather than racial differences; but their argument broke down at the point at which settlers extend their discrimination to educated Africans.

Yet it is at this very point that British policy in Africa, grounded in ideals which are never realised in everyday life, may fail where a far more autocratic rule may succeed, because French or Italian workmen and Belgian or Portuguese administrators and professional people behave so differently. Parliament is right to give the problem attention as one of first public importance, but changes of heart do not come out of even a "shock by legislation" as Sir Richard Acland demanded. The most Parliament or the Colonial Office can do is to open settlers' eyes to the relation of cause and effect.



Economics Under Dr Malan

DR MALAN'S resounding victory at the polls at least removes uncertainty from the immediate economic outlook, even if the prospect revealed is dark and gloomy. No official pronouncements on economic policy are to be expected before the budget early in July, but there are some suggestive straws in the wind. Dr Malan's implied threat against "concentrations of financial power" should not be taken too seriously—he is only striking a familiar attitude—but Mr Strijdom's more conciliatory manner on this subject suggests that this future wearer of the Prime Minister's mantle has at last grasped the elementary economics of the situation.

When Mr Havenga opens his budget he will be in the happy position of having an unplanned surplus of some £18 million from last year resulting from intensified collections of arrear tax assessments. With a string of recent precedents in other countries to guide him, he should be able to make substantial tax reliefs; but he will have to allow also for additional expenditures on such things as civil service pay increases, cost-of-living allowances, farm subsidies and internal security. Even if tax reliefs are granted to industry—the Nationalists might prefer to court popularity by reducing personal income tax—the outlook for production costs is not bright. Intensified *apartheid* measures are bound to be reflected in higher labour costs; the Native Services Levy Act throws the cost of separate housing and facilities directly on to industry. "Job *apartheid*" will ensure that labour productivity will be kept at a low ebb. It is not surprising that South African industry is generally uncompetitive in world markets.

The balance of payments has shown great improvement in the past fifteen months, thanks largely to restriction of imports to 45 per cent of their 1948 level. South Africa consistently runs a current deficit (£65 million in 1952) which is financed by official borrowing from abroad, drawing on gold and foreign exchange reserves (now standing at £115.9 million), and the inflow of private capital from foreign sources. Everything should point to the government's taking a reasonable attitude towards foreign investment in the Union; but there is no telling what folly rampant nationalism might commit.

Ballots and Bullets in Tunisia

THE tragedy of French rule in Tunisia is that its command is divided. The cabinet in Paris has, at various times, been prepared to take a realistic view and to understand that France will ultimately have to grant a larger measure of self-determination to its North African territories. On the spot, however, and as in most colonial possessions, the settlers are not ready to give up their privileges or to accept condominium with Africans. Finally, there is the French army, which insists with good reason on the vital strategic importance of North Africa, and which tends to feel that terrorism must simply be stamped out. As a result of this divergence in outlook, French rule in Tunisia has produced a series of embarrassed attempts at strengthening democratic institutions, interrupted by assassinations.

Both features have been underlined by recent events. Last Saturday M. Chedly Kastally, Deputy Mayor of Tunis and a leader of moderate nationalist opinion, was murdered by a young fellow-countryman. It seems probable that the shooting was carried out under the direct orders, or at least with the tacit approval, of the Néo-Destour, the extremist nationalist party, most of whose leaders are either interned or in hiding. The murder coincided, moreover, with the municipal and rural district elections on Sunday, which the nationalists wanted to boycott. M. Kastally's death was intended to discourage Tunisians from voting and from standing as candidates. The nationalists argue that these elections represent a purely French method of keeping Tunis quiet by means of small concessions. The Bey appears to support this interpretation and his appeal to the voting population was a remarkable piece of understatement.

The polling figures show clearly that the boycott was all but complete, and 90 per cent of the Muslim electorate abstained. This means that the French will receive little help from the Tunisians themselves in their attempt at introducing partial reforms. There are numerous hints, moreover, that the terrorism will increase in the near future. The French must bear part of the blame, and it would help if they displayed half as much energy in tracking down the assassins of prominent nationalist figures as they do when it comes to avenging the death of a pro-French leader.

Help for the Backward

GENERAL concern about the high proportion of children who remain illiterate after ten years of state schooling will not be lessened by the new statistics about illiteracy in the army that have been published. In four months of 1952, 45,000 national servicemen were called up, and of these more than 10,000, or 23 per cent, were either illiterate or backward. ("Illiterate" is defined as inability to complete a simple form asking for personal details, and "backward" means failure to reach minimum scores in some simple verbal and arithmetical tests.)

Until now it has been possible to excuse the high proportion of semi-illiterates among the youth of today by the broken and inadequate schooling of the war years. But the men who are the subject of this survey were eleven when the war ended, and four more years of school under more normal conditions should at least have been time enough to learn to read and write. Why it should not have been is a matter of some controversy. The blame is variously laid on large classes, modern methods of teaching, relaxation of discipline, too much visual entertainment, and homes in which serious reading is impossible; probably all these factors play their part. Whatever the cause, the army claims to overcome it where the schools fail, not only with its work among national servicemen but also with its five preliminary education centres for backward regular soldiers. The army considers itself successful in curing the backwardness of 97.7 per cent of these men; and from this it would appear that, whatever the defects of army education in other respects, its methods with illiterates are well worth studying by the education authorities.

Masters and Men

"There has been much less legislation of late than formerly to regulate the relations between employers and workmen. . . . When this kind of legislation was frequent and considered a matter of course, it was directed against the workmen. Its main object was to keep them in subordination and keep them dependent. . . . Debased or enslaved, however, as men may be, they cannot be deprived of power. No art has yet been discovered to render the master, however absolute, wholly independent of the slave. They are not and cannot be even independent of each other's good opinion. Of that general fact, the inevitable result of society, the continued or even the growing influence of the humblest classes amongst ourselves is a part. Their power makes itself continually felt, and, latterly, the tendency of all legislation between employers and workmen has been to impose restrictions on the employers. It is concluded, apparently, that the proper way to correct the restrictive laws formerly made for the workmen is now to make some similar laws for the masters. . . . That legislation ought not to interfere with industry, of which it can know very little . . . is now an axiom of statesmanship. But practice halts lamely after enlightened theory, and the fact that legislation has already interfered with industry, though admitted to be an error, is alleged as a justification for further interference. . . . A little extension of industrial freedom has opened many new roads to wealth, and they are increasing and enlarging day by day. . . . Everywhere services are in demand; wages of all kinds are rising; and there is now much more reason to apprehend, in relation to the demands of the capitalist, a scarcity than a redundancy of labour. Never, therefore, was there a time when legislation should more cautiously abstain from interfering with relations so rapidly changing, and when it should more carefully eschew placing restrictions on the capitalist about to be exposed to perfectly new and untried circumstances.

The Economist
May 7, 1853

Letters to the Editor

Climax in Kenya

SIR—In your article of April 11th you ask: "Why does British policy in Africa tend to drive the educated ambitious African into opposition to it? Why do the natural leaders become extremists determined to oust British rule? Why do the colonial governments fail to rally the support of the African moderates?"

We in Kenya can only feel irritated when told by people at home that Mau Mau is a political and economic rebellion and that the correct and only cure is more politics and higher wages. The fact has to be faced that the tribe that has come to hate us with a hysterical loathing is the wealthiest in Kenya. It is also the tribe with the highest percentage of literates. It is the tribe most closely integrated in the economic life of the country and the most intelligent, enterprising and industrious of all the tribes. It is all the more interesting, therefore, that, instead of copying African so-called nationalism elsewhere and claiming to be civilised and demanding equality with Europeans, the Kikuyu have taken the opposite road, reverted to the primitive and to barbarism. The Kikuyu ask not for equality but for blood and black magic. Their hope for the future is to return to the past.

What we have done to this particular tribe, however, we are doing also to the other tribes. It happens that for a variety of reasons the pace was hotter in the Kikuyu Reserve and therefore the inevitable results have appeared there first. We have not governed these people. We have not even studied them. Hardly any one of us speaks their language. Our education, lacking any policy, has destroyed their tribal restraints and tradition and given them little in exchange except a moderate standard in the three R's. As far as one can tell, Government has never asked itself what happens to the African when he leaves school. There is no place in our society for the educated African. He has little hope of rising above head office-boy or what in Britain would be apprentice standard. There is not even "educated" housing for such Africans; most of them have to live in crowded slums on the fringes of the towns. Socially there is no place for them. Few ever see the inside of a European house. Hotels and restaurants where Europeans go are barred to them. They are the flotsam and jetsam of the African continent, and now suddenly it is realised that they hold power—great power—in their hands.

Occasionally from amongst the educated Africans arises a man of outstanding character and ability. What hope that he will be loyal? I watched Jomo Kenyatta at Kapenguria, where he was on trial. There sat a man obviously born to rule, a man of fascinating personality. He spent fifteen years in Europe, returning to Kenya in 1946. What scope was there for a man of his ability and character in Kenya? None whatever. He was offered a very lowly post in the bureaucratic hierarchy, and, more important, there was no community to offer him any social status. Men must fulfil themselves or become bitter. There are potential Jomos growing up all over Africa. They must inevitably take leading social positions or become agitators. As yet, the former positions are barred to them; the latter road is wide open.—Yours faithfully,

PHILIP S. MUMFORD

Malindi, Kenya

Egypt and Middle East Defence

SIR—From the statement that "It would be no easy matter for Mr Eden to go before the House of Commons with proposals which involved British evacuation and the handing over of base installations worth hundreds of millions of pounds . . .", made in your issue of April 18th, the misleading inference may be drawn that the Suez Canal base was built completely at the expense of the British taxpayer.

In point of fact, the Anglo-Egyptian Treaty of 1936 sets out in detail the extent of Egypt's responsibility for the building of roads, bridges, railway communications and the ancillary military installations, including barracks, sports grounds and a rest-camp for the use of British troops stationed in the Canal zone, at the expense of the Egyptian exchequer. In November, 1936, in the debates preceding the ratification of the 1936 treaty, the late Muhammad Mahmud Pasha criticised the treaty because it imposed upon Egypt expenditure of several million pounds for the installation of a military base over which the Egyptian Government would have no control. Mustapha al-Nahas, then Prime Minister, placated his critics with the argument that Egypt would have to incur both the responsibility for the erection of military installations in the Canal zone and for the financial outlay, if it wished to advance a valid claim for the physical ownership of the Suez Canal base in any future negotiations for the revision of the 1936 treaty. Doubtless Nahas feared that if the base had been built at Britain's expense, British troops would never evacuate the Canal zone.—Yours faithfully,

London, S.W.15 RANDOLPH GHERSON

Decision for Federation

SIR—Mr Gell implies that if Britain proceeds to establish Central African federation despite African opposition—he ignores the fact that the four Governments concerned have approved the scheme—it will impair its bargaining strength with South Africa when the next request is made for the incorporation of the High Commission territories. Does he seriously believe that any South African Nationalist Government would agree to a constitution between these territories and the Union which embodied similar safeguards for African interests as those in the federal scheme for Central Africa? I refer in particular to the retention of the protectorate status of the two northern territories, to the direct and indirect African representation in the Federal Assembly, to the fact that the powers of that Assembly are strictly limited, and to the African Affairs Board. To hold such a belief is sheer moonshine.

In any case, the assent of the inhabitants of the High Commission territories is not the *only* argument against South Africa's demand for their incorporation. On the contrary, the strongest argument is that the assent of the United Kingdom Parliament must first be obtained.—Yours faithfully, J. P. MCDONAGH

London, S.W.19

Self-Improvement and the State

SIR—Everyone, "on paper at least," may have nowadays, as you suggest, the opportunity of beginning liberal studies at school, and those intellectually capable may have the opportunity of pursuing these studies at university. Is the provision of facilities for further education after school age any the less necessary? Many believe that these facilities should be available at all ages, willy-nilly, but the need—by any measure—is scarcely less where 15-20 per cent of school-leavers are still "semi-illiterate" (the phrase is, I believe, Sir Cyril Burt's). The problem is, rather, how to encourage these and others to continue their education.

I cannot think that Albert Mansbridge would have disapproved the inclusion in this provision of something more than narrowly political and economic studies. An appreciation of the arts may be as important for democracy's vitality as the study of industrial history. Mansbridge was interested in providing facilities to enable the individual to develop himself—to "realise himself." He was quite as much interested in hobbies and crafts, for example, as he was in those subjects which, as a young man, he used to teach. "Anyone," he wrote, "who seeks, in his time off from work, to get knowledge concerning anything he is naturally interested in or to develop his skills in making or doing things becomes a happier man. His power increases even in his daily work." That was his faith.—Yours faithfully,

London, S.W.17 RONALD HOPE

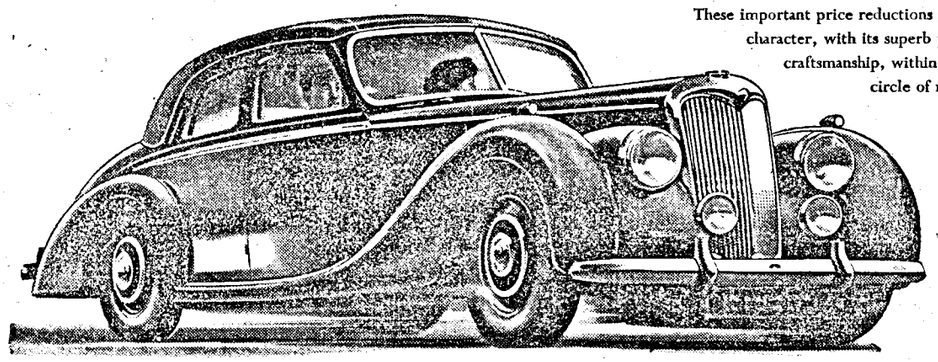
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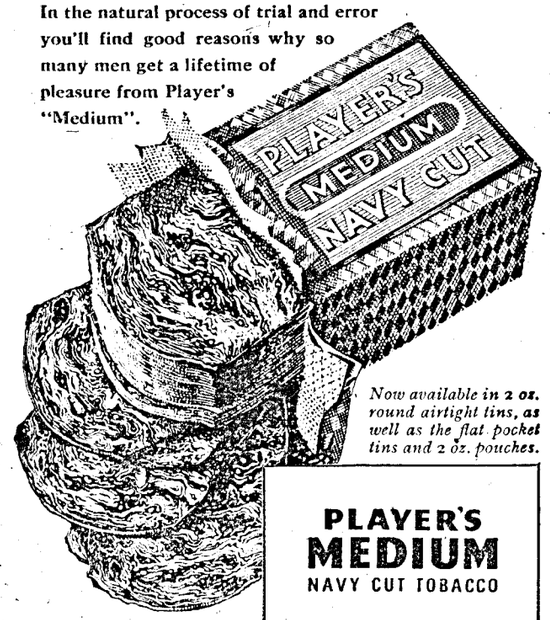
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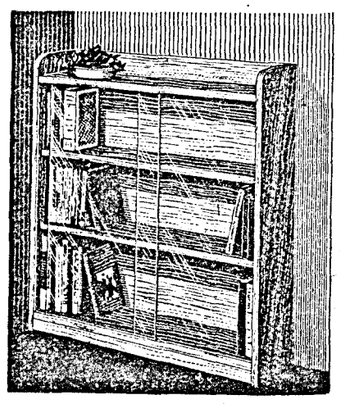
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Books & Publications

Controversial Commander

THE ROMMEL PAPERS.
Edited by B. H. Liddell Hart.
Collins. 545 pages. 25s.

FROM the day in February, 1941, when he first landed in North Africa Rommel has been a controversial figure both in Britain and in Germany. It is a relief to find in this substantial volume the material on which a more dispassionate judgment can be based.

The most important of Rommel's papers are his narrative of the war in North Africa, written in 1943, and his account of his experiences in the French campaign of 1940. General Bayerlein contributes an interesting chapter, using such of Rommel's papers as survive, on the defence of the West in 1944, while Manfred Rommel, the Field Marshal's son, adds an account of his father's last days and edits his father's fragmentary diary of his appointment to Italy in 1943. The whole has been skilfully woven together and is illuminated by Rommel's brief but incisive letters to his wife, inserted at the appropriate dates, a very successful editorial device.

No one has ever denied that Rommel was an able commander in the field. His papers, however, show him to have possessed other and rarer qualities than those of a successful panzer-general, notably that reflective power of mind which is the hallmark of a great soldier. For this is never a wooden narrative of events, like Guderian's account of the campaign in Russia; nor is Rommel solely concerned with the most effective defence of his own record, although he is naturally not indifferent to his reputation. The distinctive quality is his interest in trying to hammer out new principles for the new conditions of warfare which he had to master. It is not only the personality of the man, vividly conveyed by his style and by his letters to his wife, but the intellectual power of his mind that holds the attention.

Rommel's success was founded neither on the erratic intuition of the Fuehrer nor on the conservative principles of the staff college—nor on luck. He possessed that same capacity to reason from his own experience and to think for himself as he reluctantly recognised in Montgomery. Nor was his interest limited to tactics or "operations" in the German sense of that word (best rendered, as Captain Liddell Hart suggests, by the phrase "grand tactics"); Rommel grasped far better than any of those responsible for the strategy of the war on the German side what was involved in the North African campaign and what could have been made of it. Like Raeder, he saw that it was in his persistent neglect of the Mediterranean theatre that Hitler missed his greatest opportunities.

Much has been written of Rommel's failure to recognise the character of the regime he served and to break with Hitler. There is often a touch of pharisaical self-righteousness about such criticism, but Rommel's part in the German opposition to Hitler can easily be exaggerated. The present volume adds little to what is already known: for obvious reasons any papers which may have shed light on Rommel's relations with the conspiracy against Hitler were destroyed at the time. They are not likely to have been extensive. Rommel was late in recognising the disaster into which Hitler was leading Germany, and although he was apparently ready to try negotiations for a separate peace with Eisenhower, he had no sympathy with Stauffenberg's attempt to remove Hitler.

Rommel was bred in the non-political tradition of the German Army. Constantly in trouble for his independence in the military sphere, he asked no questions about politics, about the origins and purpose of the war, nor until too late about its consequences for Germany. He was an honourable and upright man, but as Liddell Hart justly remarks, "dangerously unphilosophical." War was "the grand game for which, in his country's service, he had trained himself with single-minded devotion." The soldier of whom more can be said is rare in any army.

Up Hill and Down Dale

ROUND ABOUT INDUSTRIAL BRITAIN, 1830-1860.
By C. R. Fay.
Toronto University Press. London: *Geoffrey Cumberlege.* 227 pages. 40s.

THE publishers represent this work, originally delivered as lectures at Toronto, as "a description of a lively and unusual tour." Those who know Mr Fay's earlier works will expect a ramble rather than a tour, a vigorous discursive roving, without a well-planned route, but with lots of exciting conversation on the way. And in the chapters for which Mr Fay is exclusively responsible, this is what we get. He can travel the most well-worn tracks of history—Adam Smith or factory legislation—and still find fresh things worth seeing. He is a master of the art of startling jaded minds by juxtaposing facts which no other person would ever have suspected were related, and his chapters on social thought, Ireland and technology, though they are by ordinary standards badly arranged, and overweighted with extracts from contemporary sources, are full of sudden brilliances.

For the chapters on selected—and very aptly selected—industrial towns, Mr Fay has drawn on the help of experts in the local history, and here the work is better organised if more prosaic. Most of these chapters share the emphasis on technical change which is a characteristic of the whole work—a welcome emphasis, since technology is an essential part of economic history and one which most books deal with timidly and unintelligibly—but otherwise they vary considerably in scope. The section on Sheffield, for example, consists entirely of extracts from contemporary sources; that on Bradford is a well-considered and well-written study of the relations of technical and economic change. The section on Birmingham concentrates on the political and social repercussions of the economic structure of the town, a fruitful topic, which hardly figures at all in the other chapters. Some of these variations reflect differences in the problems presented by the history of the various towns; it is, no doubt, reasonable to devote more space to questions of location in a chapter on the Clyde than in one on Merthyr Tydfil. But the variations in the attention paid to social conditions, or to wages and output, seem to be quite arbitrary.

However, this book is not intended as a Baedeker for the tourist in a hurry; it is a book on places and people for those who have been this way before, and they will certainly find their revisits the richer for having read it. It has the great advantage, too, that it is written, as the economic history of this period ought to be written, with the emphasis on the region, and not in the form of generalisations intended to apply to all parts of the country and therefore true of none. After 1870, Alfred Marshall is reputed to have said, you cannot write *English* economic history, so deeply involved was England in the world economy. This work suggests that it is equally impossible to write it before 1870, but for the reverse reason—the enormous regional variations in the English economy.

American Dreyfus Case

THE STRANGE CASE OF ALGER HISS.
By Lord Jowitt.
Hodder and Stoughton. 279 pages. 20s.

THE Hiss trial is the Dreyfus case of modern America. The issues involved, the passions aroused and the interests affected make it a landmark in modern American history. In addition, it involved famous and striking personalities and raised several technical and legal points of unusual interest. At its conclusion, it is probably fair to say, there were few observers who escaped a feeling of un-ease at the verdict. It was all too reminiscent of a badly written detective story, in which the author had not contrived to make the psychology fit the plot.

In "The Strange Case o · Alger Hiss,"

Lord Jowitt has now taken this tangled skein, from the first hearings before the Un-American Activities Committee to the last page of Whittaker Chambers's autobiographical effusion, "Witness," and has unravelled it with the skill and the detachment of a legal mind far removed from the passions it originally aroused. The result will come as a surprise to those who had accepted as irrefutable the evidence of "the mute witness," the typewriter, and had consequently acquiesced in the verdict of Hiss's guilt. Lord Jowitt thinks otherwise. "My endeavour," he says, "is to present the facts fairly to the reader, so that he may become acquainted with the issues involved and form his own conclusions." His exposition is certainly clear and his analysis searching. But he hardly leaves the reader to form his own conclusion. The case against Hiss, he thinks, was never proven—and this not because, as is often alleged, the evidence from the typewriter was merely circumstantial but rather because it was not really fundamental. The fundamental documents in the case, Lord Jowitt insists, are the memoranda in Hiss's handwriting; if it can be shown, as he thinks it can, that they cannot be fitted into the picture of Hiss the spy, then they raise such doubts about the credibility of Chambers that they make it necessary to find some other explanation of the typescript. This Lord Jowitt thinks he has found in Chambers's admitted need for

> a life preserver in the form of copies of official documents stolen by the apparatus which, should the [Communist] Party move against me, I might have an outside chance of using as a dissuader.

These, and a wide range of supporting arguments, are set out by Lord Jowitt in a way that cannot fail to be impressive. How then did Hiss come to be convicted? Lord Jowitt finds the explanation in part in the climate of opinion which surrounded the second trial and in part in certain features in the trial procedure, notably the absence of any summing up on the facts by the judge, such as would have assisted the jury in assessing the evidence.

For all the temperateness of language in which an ex-Lord Chancellor sets them out, these are startling conclusions and in the United States they will be explosive. To those who are already familiar with the case, however, their weight is inevitably somewhat reduced by a number of factual errors by Lord Jowitt, which suggest that his study of the evidence has not been as thorough as it might have been, and by his tendency to base judgments on a reading of the psychology of people he has never seen or heard. Moreover, though it is all very well for an English judge to dismiss from his mind evidence that would not have been admitted in an English court, the fact remains that it was introduced and may have been none the less true for having offended against the "judges' rules." If Lord Jowitt's verdict on the Hiss case is "Not Proven," the same judgment must be pronounced on his reading of it.

Town and Taipan

HONGKONG.
By Harold Ingrams.
Her Majesty's Stationery Office. 308 pages. 27s. 6d.

A WIDER and more informed knowledge by the British electorate of its colonial responsibilities was always desirable; today, when passports are endorsed "citizen of UK and colonies," it is more than ever desirable. The colonial empire is the next scene in the unfolding of the Commonwealth theme, for it is from the colonies that the next dominions will be formed. The decision of the Colonial Office to sponsor a series of books on these territories, of which Mr Ingrams's readable survey is the first, was a good one. Much has been written about many of the colonies, and something about them all; but much of it is out of date in the rapid postwar development of colonial affairs, while some is hardly suited to the general reader, and a good deal, unfortunately, is ill-informed or tendentious. This series aims at giving a balanced and factual picture which shall be something between the official blue book and the traveller's tale, for even if the traveller is an anthropologist or sociologist his or her picture is often partial or specialised.

Mr Ingrams's job was therefore to write a book from a new angle: a personal book based on eye-witness evidence and re-reading of the standard works of the past in the framework of present conditions, yet a book which was not wholly divorced from official purpose. The Colonial Office and the Hongkong government gave him keys to most of the doors, and evidently his own human sympathies took him everywhere else. The result is an educational experience; in the course of an urbane and contemporary account of the people, institutions, manners, customs and eccentricities of Hongkong, the facts about this extraordinary extension of Britain on the fringe of China sink in and create their own effect of mingled pride, wonder and premonition. Hongkong is one of the most exotic cities in the world, the unique product of British and Chinese genius in partnership over a hundred years—a genius which in both races remarkably blends the mercantile, mannered and poetic.

Mr Ingrams unfolds that story with skill, weaving it into his general description. Hongkong grew and throve over a century in which on the whole British and Chinese relations were (at least locally) cordial. But it arose out of conflict, and its present position is determined by conflict. For the past two years it has been useful to the rulers of Communist China simply as a British territory—but what of the future? Here Mr Ingrams writes with circumspection, perhaps too much; the shadow of official reticence for the first time blurs the page. Elsewhere, the book is remarkably outspoken, though always good humoured. A generous use of coloured and black and white illustration has put the price rather high, but it is to be hoped that this will not keep it out of the hands of those who need and will enjoy it most, the general reader at home and in school.

Money for the Mind

PROSPECTS IN PSYCHIATRIC RESEARCH.
Edited by J. M. Tanner.
Blackwell Scientific Publications. 197 pages. 21s.

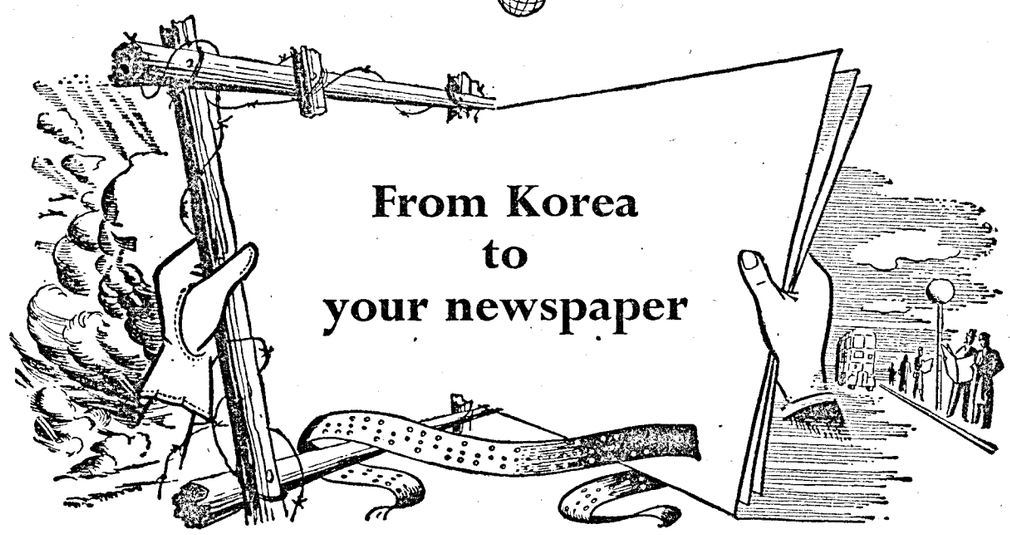
THE Mental Health Research Fund was formed in 1949 to promote, encourage and finance research into mental health and disease. Just over a year ago, the sponsors of the fund organised a conference at Oxford to discuss the most promising lines along which research might advance. This stimulating book is the report of the proceedings of the conference.

The conference was addressed not only by those most immediately concerned—psychiatrists, sociologists and psychologists—but also by others representing the related basic sciences of anatomy, physiology and biochemistry. Many of the contributions will tax the general reader's powers of understanding; but they amply illustrate both how complex the problems are and the enthusiasm and interest which those problems are arousing among specialists in this field. The disagreement between the outlooks of various schools is evidently less fundamental than had been feared, and difficulties of language and communication can be solved.

The general public appears to be quite ignorant of the amount of mental illness in this country. Nearly half the total number of hospital beds are in mental hospitals and institutions for mental defectives; and it has been estimated that one in thirty people will at some time occupy one of these beds. Minor mental ill-health is far more common, and the cost of all mental illness in money alone has been estimated at £100 million a year. In spite of this the resources available for medical research have not been devoted to mental illness in anything like the proportion its importance warrants.

The Mental Health Research Fund thus fully deserves the support it is now asking for. Part of its resources—as they grow—might fruitfully be devoted to other conferences like the one now recorded. Progress can then be assessed, and dark places illuminated. It is to be hoped, too, that the fund can find some way of making its purpose and progress known to a wider public than will be reached by this book. It would help thereby to bring home to people the size of the problem, which tends to be hidden by the isolation of mental hospital patients in huge groups away from the rest of the community. The right sort of publicity might also do something to dispel the lingering medieval fears of the insane and the social stigma of insanity, which make people willing to disregard what they would like not to exist.

WORDS ROUND THE WORLD



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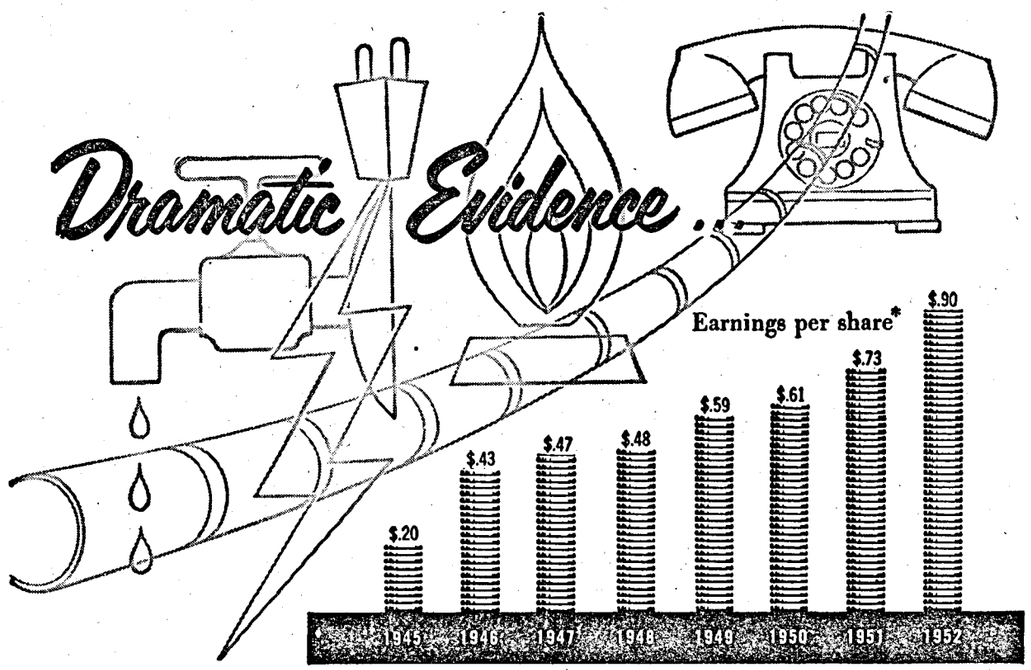
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American Survey

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

The First Hundred Days

Washington, D.C.

BECAUSE Mr Roosevelt accomplished so much in his first hundred days in power—and never had such willing co-operation from Congress again—the end of the comparable period in the new regime has seemed to many people a good moment for taking stock of the accomplishments of General Eisenhower. The comparison with twenty years ago emphasises not only the differences between the two men, but also those between the worlds in which they took office. Nothing could be less like the spring of 1933, with its pyrotechnic display of experimental government, than the early months of 1953, with their cautious groping towards a set of policies. It would be a mistake, however, to assume that, by his caution, the President has lost a priceless chance to get his programmes through Congress without argument and with only nominal opposition. There is no reason to believe that he ever had such a chance.

In March, 1933, the banks were closing, the administrative system had largely broken down and Congress was scared. Anyone who was prepared to assert that "the only thing we have to fear is fear itself" in a voice that carried the conviction of confidence to the whole country was assured of support for anything he might do in the attempt to turn the tide. In January, 1953, despite campaign speeches that suggested the imminence of disaster if dramatic Republican policies were not immediately substituted for nearly everything the Democrats were trying to do, there was little sense of urgency in the country, except for putting an end to the Korean war. There was plenty of time for the new Administration to learn, to think and to develop its ideas without taking risks.

The Republicans in Congress were under no such pressure as the Democrats had been twenty years ago. Nor had they nominated and elected a master politician. Instead they had chosen a popular but unpolitical hero as, if a metaphor readily understandable in Washington at the moment may be permitted, a niblick to get them out of a bunker. Once on the fairway again, however, the one idea of many of them was to put the niblick back in the bag and take out instead some of the irons they had had in the fire for so long. They had not come back into power after many lean years for any other purpose than to give their traditional policies another run. The *Washington Post* called it astonishing that one of the most popular men who ever entered the White House should not have been "vouchsafed the traditional honeymoon of incoming Presidents" and found it even more extraordinary that "intransigence in his own party was responsible." But there was no honeymoon because there had never been any marriage.

There should, therefore, be no disappointment because a flood of new and exciting measures has not flowed from the White House up Pennsylvania Avenue to the Capitol and overwhelmed the legislators. Indeed, it is probably just as well that nothing of the kind did happen because some of the measures, if they had been based on campaign promises, would have terrified the rest of the free world. There is everything to be said for a cautious approach to the making of policy. There is considerably less to be said, however, for the President's view of his own role as the head of an administrative machine with the responsibility for carrying out the policies of Congress, but with no duty to do more than suggest what these policies should be. "To suggest is not enough," the *Washington Post* maintains; "in order to get consideration for his programme, the President will have to assert himself in Congress or face the prospect of Congressional government."

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This is a moment, therefore, for being a little apprehensive about how long General Eisenhower will continue to hold his rather simplified view of the relationship between the three co-equal branches of government rather than one for deploring his failure to repeat Mr Roosevelt's performance. There is nothing inherently wrong about his refusal to drive Congress—even over important issues—if he can, in the end, get his way by his present tactics. There would be something inherently wrong, however, if he were to continue his refusal to exercise leadership—the kind of leadership that he showed, in his speech on disarmament last month, that he is capable of exercising—after it became obvious that Congress would not listen to his suggestions. The disparity between his majority and that of congressional Republicans showed clearly that it was the Eisenhower policies and the Eisenhower promise of leadership that the people chose on November 4th, not those of his party in Congress.

If it is too early as yet to judge the performance of the new Administration, it is not too early to suggest the directions from which its tests will come. As far as the rest of the world is concerned, the verdict on the Eisenhower years will presumably depend on the Administration's success in liberalising foreign trade policy, the steps it takes to minimise the effects of any recession that may

appear and the President's ability to dispose of Senator McCarthy.

Even if the Reciprocal Trade Agreements Act is extended without too many of Representative Simpson's constricting amendments, there are few people who believe that the new executive-legislative commission will produce a report along the lines of the Bell Report. This, incidentally, judging by the way one Cabinet officer after another denied knowledge of it during the hearings this week, must be the least read official publication of modern times. If restrictions on imports are no more onerous by 1956 than they were in 1952, those countries who are trying to earn dollars may have every right to be disappointed, but they will also have every reason to be thankful. They should also be thankful if there has been no depression because, despite Mr Humphrey's assertion that another must never be permitted to occur, there are some doubts whether he would be given power to prevent a recession from sliding into a depression.

About Mr McCarthy, the future is obscure. When the Administration arrived in Washington, there was general agreement that he must be neutralised within six months or it would be too late. Three of those months have gone and the Senator is stronger than ever. What seemed to be the great opportunity to deal with him, the Greek ship episode, was allowed to slip away and the unfortunate Mr Stassen, who stood up to the Senator, and is now said to have been guilty of "premature anti-McCarthyism," was taught a lesson by Mr Dulles and the President that will be remembered by others who might feel that the time had come to fight.

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On the home front General Eisenhower's reputation will stand or fall on different issues. At the present time it stands higher than ever and the kind of worries that affect those on the scene in Washington—the choice of Assistant Secretaries, the attempt to dismiss Dr Astin and the appointment to the regulatory commissions of the representatives of those who are supposed to be regulated—have not yet spread to the country as a whole. If the American people are disappointed in the President and in his party by the next election, however, the blame will probably be shared between two of the best of the new team, the Secretary of the Treasury and the Secretary of Agriculture. It is impossible to say how a steady diet of disinflation will affect the country as a whole or whether the farmers will have learned by then to enjoy standing on their own feet for an hour or two at a time.

The death of Stalin was certainly a great piece of good fortune for the new Administration. But, by raising hopes of peace once again, it provided further opportunities for dashing them. It also provided a rational excuse for the announcement made by the President on his 101st day in office. It is not necessary to share to the full the pessimism of the Alsop Brothers to realise that his statement of April 30th could hardly be a description of a policy of "greater strength by less costly methods." It was much nearer to a policy of cutting the defence coat according to the amount of campaign cloth. Changed conditions in Russia have perhaps made the policy a good risk. If it proves otherwise, the Democrats may have been given an election issue of considerable proportions.

3-D Lifeline?

FROM A CORRESPONDENT IN HOLLYWOOD

SINCE the good days of 1946 Hollywood has been feeling its way through mists of uncertainty. Ever since the first whisper of failing box-office returns, the moving picture industry has been straining its ears to hear, over the trumpet sounds of its own publicity, the explanation of where it has gone astray. But in spite of the deepest soundings of audience research, the public has failed to respond with the clarity of condemnation or approval that the enquiry was expected to elicit. Do audiences want westerns, costume dramas or modern tragedy? If it knows, which is doubtful, the American audience has so far failed to say. With an excellent press "High Noon" was a disappointment at the box-office; with a bad press "Quo Vadis" has broken records and, with a press that seemed neither to like nor to dislike the picture, "The Bad and the Beautiful" may yet earn more than "Quo Vadis."

Pictures that are successful by no critical standards are providing good financial returns, while pictures that conform to formulas perennially acceptable in the past are failing to attract the cash customer. The lesson appears to be that audiences, unless they are stimulated by some or other imponderable attraction (and critical acclaim is the least of these), are "shopping" for their entertainment. In the light of the domestic box-office returns, it may even have to be admitted that it looks as if audiences were just staying away from movies—and staying away for good.

Such a conclusion is one that Hollywood could never entertain with any complacency. All hands have taken part in trying to solve the mystery of the diminishing returns. Mr Eric Johnston, who before he became the spokesman for the industry was president of the US Chamber of Commerce, has suggested that cinema attendances are suffering from the domesticity people wanted to recapture after the dispersals and separations of war; from the competition of the dollar steak and the new availability of cars and household appliances; finally, and maybe for ever, that they are suffering from television.

During the continuing doubt and self-examination about the disappearing American audience and the means by which it can be attracted back to the theatres, the importance of the foreign market has become more accentuated than ever. Before the slump it was a truism of the industry that an American motion picture recovered its production cost at home and earned its profit abroad. The latest figures from an industry in which statistics are notoriously unreliable show that in 1952 foreign revenue accounted for 42 per cent of Hollywood's gross receipts as against the 26 per cent earned abroad so recently as 1946. While the increase in foreign revenues has been welcomed as mitigating to some degree the disasters at home, the welcome is qualified because overseas earnings suffer from two grave disabilities—the uncertainty of remittances in a world short of dollars and the requirements that the major foreign markets exact, in the form of quota legislation. These necessitate a dispersal of Hollywood's production activities.

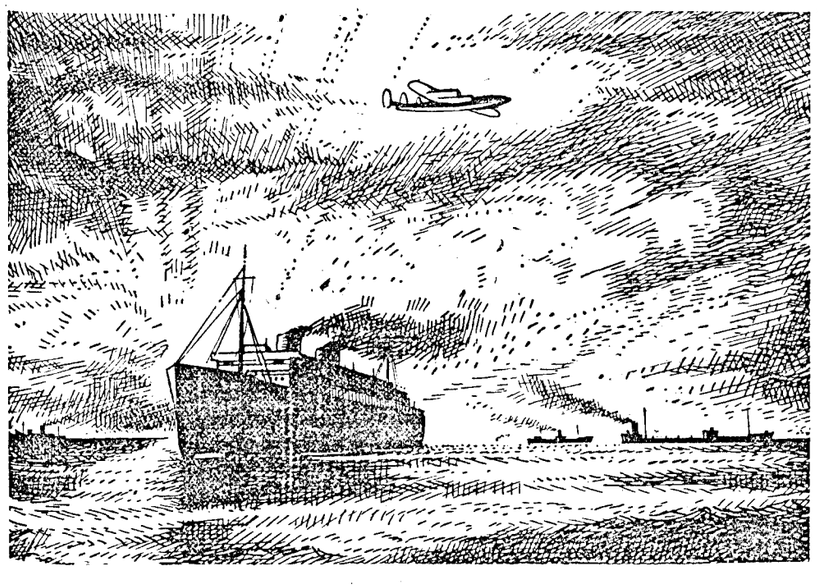
The International Alliance of Theatrical Stage Employees, the most powerful trade union in the motion picture industry, has for some time been casting jealous glances at the activities of American producers overseas. As long ago as July last year, at its general meeting at Indianapolis, a motion was tabled condemning all production abroad. It may have been no coincidence that Mr Johnston, with his professionally acute sensitivity to the importance of the foreign market, was the key-note speaker at the convention and that nothing more was heard of the resolution in its original form of a total boycott. However, since the beginning of this year a new drive by the Film Council of the American Federation of Labour has been instituted against "runaway" production; that is to say, production abroad which is not simply a means of unfreezing foreign balances, but which is designed to take advantage of lower wage rates and cheaper production costs. Simultaneously, influences are being exerted in Washington for some amendment of the tax measures that have fortuitously encouraged production abroad by exempting the earnings of stars and producers absent from the United States for eighteen months or more. With pressures such as these at work, foreign revenues—however gratifying—are more uncertain than ever and any recovery in the domestic market would be more welcome than ever.

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It is not surprising, therefore, that film producers have leapt on the three-dimensional band-wagon with the gusto of gun-men jumping a stage-coach in an early western film. The prizes may be greater than anything ever carried by Wells Fargo. Historically, there seems to be good cause for optimism, since in the late twenties the general malaise afflicting cinema attendances was speedily dissipated by the advent of sound. Furthermore, the producers' hopes that the presentation of films may be more potent than their content seems to be sustained by the fact that the open-air "drive-in" theatres, in which the patron does not need to get out of his car to see the picture, are multiplying throughout the country under the trade name of "ozoners," and are doing a landslide business with precisely those films that are failing in the "hard-tops"—the conventional theatres.

But if 3-D seems to be the answer to the prayers of exhibitors and producers, its economics are at best uncertain. New processes are being announced almost daily which vary from the true three-dimensional of Natural Vision to the pseudo-three-dimensional of Cinerama. Costs of installation vary even more widely, running as they do from some $1,000 a theatre for Natural Vision to $100,000 or more in the case of Cinerama. And no reliable estimates have as yet been made about how greatly the costs of production will be increased. In all of this confusion the exhibitor has already raised a cry for standardisation and a committee of the Johnston Office has been appointed to examine that question. But the polished individualists—ruggedness is no longer an endearing quality—of the production industry are too busy in the pursuit of their own processes to hear the cry of the theatre-owners, whose divorce from production is now complete and who are possibly lamenting that fact for the first time.

A new avenue of future and possibly painful disagreement was opened recently by Mr Spyros Skouras when, in his annual report to the shareholders of Twentieth Century-Fox, he suggested that as soon as his company had established a sufficient back-log of pictures photographed in Cinemascope, the process owned by Fox, it might be throwing the nine hundred odd pictures made by it since the advent of sound upon the television screens of America. The outcry by the owners of the smaller cinemas, who claim they lack the financial resources to convert to three-



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dimensional showing, has yet to be heard, but when it comes it is sure to be deafening.

There remains the question of the capacity of the American audiences to absorb entertainment. The public has shown that it can patronise its legitimate theatre, listen to its radio, stare at its television screen and visit its drive-in cinemas in sufficient numbers to keep these four major industries in production, although in uncertainty. Will the American audiences be capable of climbing into the third dimension in numbers great enough to support the new theatrical and productions costs entailed? Hollywood is gambling that the answer is "Yes," and Hollywood may well be right. The only prediction about the American consumer that has been proved consistently wrong has been the prediction which placed fixed limits upon his capacity to consume.

American Notes

Aid at a Minimum

PRESIDENT EISENHOWER'S request to Congress for $5.8 billion for mutual foreign aid for the 1954 fiscal year, beginning next July, is, as predicted, $1.8 billion less than Mr Truman asked for in January. But it is near the amount that has usually been spent in recent years and it is probably about the sum that Mr Truman would have got from Congress. President Eisenhower, with less experience of the need to insure against Congressional parsimony, has emphasised that his request is for the absolute minimum required for collective security and for achieving the essential objectives of the United States. But even so, Congress is already showing signs of being, as usual, in a mood to cut the final appropriations, if not the original authorisations. To prevent this will take sustained pressure from the President himself and from the high-powered team of Cabinet officers whom he sent to give the new programme a good send-off before a joint meeting of the Senate and House committees.

The following table gives details of the proposed division of the total amount requested. The new categories make comparison with other years difficult; "defence payments" seem to be the equivalent of last year's "defence support."

	$ million.	
Defence material and training:—		
Europe	2,534	
Far East	1,001	
Near East	469	
Latin-America	20	
		4,024
Defence payments fund:—		
Indo-China	400	
Supplies made in Britain and France	200	
Economic aid for Europe / Aid for Nationalist China	395	
		995
Special weapons planning		250
Technical, economic and development purposes		560
TOTAL		5,829

The emphasis on aid for France in the fighting in Indo-China had been expected even before the deterioration in the situation there had led Mr Dulles to promise that extra military supplies would be rushed to the defence of Laos. Altogether the United States is planning to bear 40 per cent of the cost of the Indo-Chinese war. The feeling that the Communist menace is now more threatening in Asia than in Europe accounts for the high share of the total that is allotted to the Far East, something which will also appeal to the Republican party. Similarly, the small proportion of aid for other than military purposes had been expected, as had the reduction, supposedly leading before long to the termination, of all direct aid for Britain. This will, however, be offset to some extent by the planned increase in offshore procurement, to be paid for out of the military part of the funds.

The completely new departure is the $250 million for "special weapons planning" which, in spite of the assurance that it does not involve giving the Nato countries access to atomic weapons, is generally taken to mean that they will be trained in the use of such weapons and of other new types of arms. This had already been found to be implicit in Mr Dulles's report on the Nato meeting in Paris.

Plateau, Not Peak

THE President used his message on foreign aid to disabuse those who were accusing him of over-confidence, of gambling on the peaceful tendencies recently shown by the Soviet Union. He insisted once again that, until Russian good faith was proved by deeds, the free world must continue to rely on military strength. He also repeated that, since it was impossible to forecast the date at which the danger of aggression would be at its greatest, it was only prudent to continue a steady military build-up at a pace which the economies of the countries concerned could support indefinitely.

The original criticism of the President had arisen from his rejection, at his press conference last week, of the Truman theory that the rearmament programme should be brought to a peak by a "critical year," usually said to be 1954, when the Soviet Union would be ready for an atomic attack on the United States, and that the programme should then be kept ticking over at a lower level. The new President and his advisers have decided that rearmament should rise steadily, if more slowly, to a plateau and should stay there as long as necessary. This, it is claimed, can be done without reducing the country's military strength and to the benefit of its economic strength. How high the plateau is to be and when it is to be reached has not, however, yet been revealed.

What has been revealed is that Mr Eisenhower's request for new appropriations for the 1954 fiscal year will be $8.5 billion below Mr Truman's estimated $72.9 billion. The foreign aid cuts account for part of this saving and another $5 billion is to come from the $41.5 billion that Mr Truman wanted for defence; further defence cuts are forecast for future years. Some economies will certainly result from better administration in the Defence Department itself, which will be facilitated by the reorganisation plan that Mr Eisenhower has now sent to Congress. How the rest of the saving is to be achieved is not yet known, but there is a suspicion that it may be at the expense of the 143-group air force so dear to Congress.

This warming evidence that the President intends to economise in fact as well as in fancy was accompanied by a cold shower in the form of a blunt statement that there was no hope of balancing the budget in 1954. This means that the Administration will go on trying to frustrate Congress's hopes of a tax reduction this year. For the cuts in appropriations will affect defence spending in 1954 very little; most of it is already fixed by long-term contracts for aircraft and other equipment, entered into by the previous Administration with appropriations approved by the previous Congress. President Eisenhower complained bitterly about his predecessor's legacy of $81 billion appropriated but not yet spent and of a "crazy quilt of commitments." Actual spending will in fact probably increase for a time, since the new Administration is going to speed up deliveries on some contracts, both for American and Nato supplies.

Tariff Standstill

PRESIDENT EISENHOWER'S invitation to Congress to appoint six of the eleven members of his trade policy commission underscores his anxiety to work with the legislature on the most controversial foreign issue dividing the Republican party. Originally it was thought that this broad study of foreign economic policy was to be assigned to Mr Lewis Douglas; it is now explained that his task is limited to following up the talks that took place between the American and British governments when Mr Eden and Mr Butler visited Washington in February. With protectionist-minded chairmen of Congressional Committees given a voice in selecting the members of this new bi-partisan commission, three from the Senate and three from the House, the changes in laws and procedures it is likely to recommend to increase international trade are hardly likely to be as vigorous, or to go as far toward substituting trade for aid, as those Mr Douglas might have favoured. But the President apparently believes that a modest programme, which Congress is prepared to accept because it has had a hand in drawing it up, is to be preferred to a more liberal charter which Congress might repudiate.

It is to give this commission time to formulate a trade programme which will fit in with other foreign policies that the President has asked for a one-year extension of the Reciprocal Trade Agreements Act without any changes. The first hearings, before the House Ways and Means Committee, however, have given precedence to a host of representatives of small business who, unlike the US Chamber of Commerce, not only oppose any further liberalisation of trade, but protest they are being ruined by concessions already made under the Trade Agreements Act. This is because the Bill under consideration, the Simpson Bill, is not an Administration measure but one which, while technically extending the Act, would take away the President's powers to ignore recommendations of the Tariff Commission, would make it more difficult for the Tariff Commission to resist demands for protection, and would impose restrictions on the import of oil, lead, and zinc. Representative Simpson seems willing, after the appointment of a protectionist spokesman on the commission, to consider softening his Bill somewhat, but even so Mr Eisenhower has been forced to declare that he could not accept certain changes the Bill would make in the Act.

What has been more disheartening to the advocates of "trade, not aid" than the outcry of business has been the lack of enthusiasm of two of the foremost Administration witnesses—Mr Dulles and Mr Weeks, the Secretary of Commerce—when they were finally permitted to speak. The Act may be extended without too many restrictions this year, but Mr Dulles's confession that next year he might favour something like the Simpson Bill, and Mr Weeks's admission that he was at heart a tariff man give an impression of wavering and divided purpose which may make the battle postponed until next year more difficult to win.

Professor Lattimore's Rights

PROFESSOR OWEN LATTIMORE, the Far Eastern expert whom Senator McCarthy three years ago called "the top Soviet agent" in the United States, was indicted last December on seven counts of perjury growing out of his twelve days of defiant testimony before Senator McCarran's sub-committee on internal security. At that time Professor Lattimore challenged the investigators to charge him with

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perjury. His faith in the courts seems to have been well-founded. Judge Luther Youngdahl, a former Republican Governor of Minnesota whom Mr Truman appointed to the bench, has dismissed four of the seven counts and revealed that he has "serious doubts" about the pertinence of the remaining three on which Professor Lattimore will be tried in October. He has ordered the government to state the "overt acts" on which these are based and to file a bill of particulars if it does not want to risk violating the Sixth Amendment to the Constitution, which guarantees to a man the right to know the accusations against him.

The congressional Communist-hunters believe that Professor Lattimore influenced American policy in favour of the Chinese Communists both through his advice to the State Department and through the Institute of Pacific Relations, a private organisation which has been the subject of many congressional suspicions and whose magazine he edited. Two of the counts dismissed by Judge Youngdahl charged that Mr Lattimore lied when he denied knowing that a certain contributor to the magazine was a Communist and denied publishing articles by other known Communists; the third that he perjured himself when he denied that he got into China in 1937 with Communist help. All these counts, in the Judge's view, were insufficient, and the remaining one deprived the defendant of the protection of both the First and the Sixth Amendments. This is the major charge that Professor Lattimore lied when he said he had not been a "sympathiser and promoter of Communism or Communist interests." The Judge found it "so nebulous and indefinite that the jury would have to indulge in speculation to arrive at a verdict" and declared that the First Amendment was designed to protect an individual in the expression of ideas though they are repugnant to the orthodox. Those who fear, with Senator Lehman, that McCarthyism is abridging the Bill of Rights will find heart-warming the Judge's insistence that

> Communism's fallacy and viciousness can be demonstrated without striking down the protection of the first amendment. . . . When public excitement runs high as to alien ideologies, it is the time when we must be particularly alert not to impair the ancient landmarks set up in the Bill of Rights.

SHORTER NOTES

The Treasury's new long-term bond issue, 30 years at 3¼ per cent, was even more successful than had been expected, being about six times over-subscribed. After excessive and speculative subscriptions had been eliminated, other subscribers were allotted 20 per cent of their requests, with subscriptions under $5,000 being met in full. Total awards of the new bonds amounted to $1,080 million.

★

A "club in the sky" has been inaugurated by one of the major airlines that has scheduled daily flights "for men only" from New York to Chicago and Chicago to New York at the close of the business day. There are, however, stewardesses aboard to serve steak dinners. Pipe and cigar smoking is allowed and both slippers and closing market quotations are provided by the airline.

★

Statistical proof of the assumption that watching television is more popular than taking a bath or making a telephone call comes from America's second city, Chicago, which has 1,360,000 TV sets in use, compared with 1,320,000 home telephones and 1,260,000 bathtubs. For the nation as a whole, there are about as many television sets as private baths—close to 30 million—while home and business telephones together total nearly 50 million.

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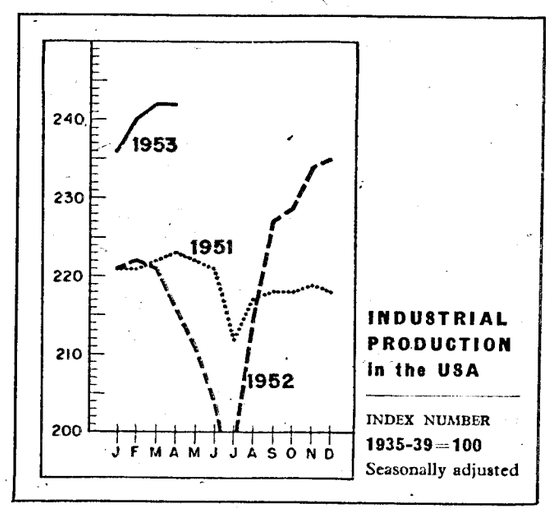
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The Upheaval in Pakistan

FROM OUR CORRESPONDENT IN KARACHI

IT had been obvious for some time past that the tension in Pakistan had reached breaking point. The government of Khwaja Nazimuddin had lost its prestige, the morale of the nation had fallen to zero, and the "growing uneasiness" expressed by the Governor General in his communique was certainly shared by all sections of the people. The report of the Basic Principles Committee had given an impetus to provincialism and had caused a disagreement between the Punjab and East Bengal which threatened to split the country. The concessions made to the mullahs had alarmed progressive elements, and the sectarian agitation against the Ahmadis had produced ugly manifestations. The food grains situation was well-nigh desperate, and the government had incurred severe censure for failing to foresee the wheat shortage and take steps to meet it in time. The general economic situation, with particular reference to the exhaustion of the country's reserves of foreign exchange, caused equal anxiety.

There were widespread criticisms of the lack of decisive leadership in the country, and it was known that the cabinet was not pulling together as a team. Yet Khwaja Nazimuddin's government had not, to all appearances, been fully shaken out of its complacency. The problem facing the country was how a change of government could be effected constitutionally. Despite all the dissatisfaction, the government had not the slightest difficulty in obtaining the approval of the Constituent Assembly, in its legislative capacity, to any measures put before it, and the opposition was limited to a few voices crying in the wilderness. Admittedly, the Assembly had degenerated into a sort of "long parliament," no longer truly representative of the people, but the prospects of a general election continually receded with the interminable delay in reaching agreement on the constitution. In these circumstances, it was feared that a change in government could only be effected by some unconstitutional means. It had not occurred to anyone that the ailing Mr Ghulam Mohammad, the Governor General appointed on the advice of the cabinet, would be able or willing to play the part of the *deus ex machina* for which the country was looking. His action in dismissing the cabinet was courageous, timely and dramatic.

Whether it was truly constitutional will long be debated. The Governor General relied on section 10 of the Government of India Act as adapted for Pakistan, which lays down that his ministers should hold office during his pleasure. A literal reading of this does no doubt justify the action taken, but it can hardly be said that it was in accordance with the spirit of the constitution. Nevertheless, Mr Ghulam Mohammad deserves the highest praise for having made a realistic appreciation of the situation and acted on it. His action had at least the semblance of constitutional legality and, in the exceptional circumstances, was the only way of bringing about a change of government short of some sort of *coup d'état*.

It is very regrettable that the services of Khwaja Nazimuddin are, at least temporarily, lost to the nation, for none would deny that he is an honourable, disinterested and God-fearing man. If, indeed, he had been prepared to jettison some of the least successful and most unpopular members of his cabinet the crisis would never have arisen in its present form. He had, after all, only recently succeeded in surmounting a serious threat from the Punjab by dismissing Mr Daultana, the chief minister of that province. He had also dealt firmly with Mr Khuhro, the recalcitrant ex-chief minister of Sind who, despite his disqualification from public office on various charges of misconduct and maladministration, claimed to be still entitled to exercise the powers of the provincial Muslim League leader. These flashes of firmness did not, however, suffice to convince the country that Khwaja Nazimuddin had the situation in hand.

A Surprised Public

The choice of Mr Mohammad Ali, who was on a brief visit from Washington, to fill the office of Prime Minister, took the public completely by surprise. It had been generally believed that Mr Qayum Khan, the forceful chief minister of the North West Frontier Province, was the man who, in an emergency, would have to be called on to pull the country together. Mr Qayum Khan has, however, been persuaded to join Mr Mohammad Ali's cabinet, where his personality will certainly make itself felt. The desirability of maintaining the provincial balance perhaps made it necessary that a Bengali should succeed a Bengali as prime minister, and it is to this, in the general estimation, that Mr Mohammad Ali primarily owes his selection. The fact that he is well known and liked in Washington and Ottawa may also have carried weight, seeing that Pakistan now stands desperately in need of a gift or loan of a million tons of American wheat. He has, too, attractive personal qualities.

The change in the personnel of the cabinet has not served to allay provincial jealousies, and it will be necessary to bring another East Pakistani to the Centre. There is, however, reason to believe that the cabinet will no longer be

divided in itself. Not only will the Governor General, who will play hereafter a more influential part in public affairs, insist on this, but the Ministers themselves will surely realise that they are on trial and that they must hang together if they do not wish to hang separately, for the recent events have reinforced the ranks of the disgruntled politicians. The problems facing the cabinet are indeed of the greatest difficulty and complexity, and the mere removal of the two ministers who have most palpably proved failures—Mr Pirzada, the Food Minister, and Mr Fazlur Rahman, the Minister for Commerce and Economic Affairs—will not in itself provide the answer. It can, however, only lead to a more vigorous policy. It is significant that the Food and Agriculture Ministry has been entrusted to Mr Qayum Khan, who will certainly stand no nonsense from any quarter, and the Ministry of Economic Affairs to the other Mr Mohammad Ali, the reappointed Finance Minister, where it could not be in better hands. A new Commerce Minister is yet to be found.

The main political significance of the change of government, however, seems to lie in the ideological field. The past year has witnessed gains all along the line for the mullahs and those elements of public opinion which would impose a theocracy on Pakistan. The reconstitution of the cabinet has given the progressives, who deeply resented these tendencies but somehow seemed powerless to check them effectively, hope that the mullahs are finished as a political force. The Governor General himself is believed to have disapproved strongly of the reactionary provisions of the report of the Basic Principles Committee, and the new Prime Minister is also said to be a modernist. Had there been any desire to placate the religious extremists the opportunity of the reshuffle could so easily have been taken to drop Sir Zafrulla Khan, who, as a member of the Ahmadi community, has been heavily under fire from the orthodox camp. He has, however, been reappointed, and not a voice seems to have been raised in protest.

Better Relations with India?

Sardar Abdur Rab Nishtar, who was known to be the chief supporter of the mullahs in the Cabinet and was the author or at least the protagonist of the Basic Principles Committee's proposals for the setting up of advisory boards of mullahs, has been dropped and Mr A. K. Brohi, who has been in the forefront of the campaign of the intelligentsia against the forces of obscurantism, has been brought in as law member. It is generally thought that the new constitution will be given a more secular complexion, though the Objectives Resolution, which declared Pakistan an Islamic state, will probably be retained. This was passed in Liaqat's time, and was hardly more than a praiseworthy statement of aspirations, unobjectionable from the practical point of view.

It is also confidently expected that the formation of the new government will lead to better relations with India. The atmosphere had already become more favourable, for the trade talks between the two countries had been markedly successful, and members of the Pakistan delegation had spoken freely of the cordial spirit they had encountered in New Delhi. Everything was working up towards a fruitful meeting between Pandit Nehru and Khwaja Nazimuddin, and Mr Mohammad Ali is considered to be, if anything, more anxious to re-establish friendly relations than even his predecessor. In this he will be supported by Mr Shoaib Qureshi, another newcomer to the cabinet who has been serving as High Commissioner for Pakistan in India, where he has been reported to have established very friendly personal contacts with Pandit Nehru and other members of his government.

There is, moreover, reason to believe that foreign capital may be able to expect more co-operative treatment under the new government. During the past year Khwaja Nazimuddin's administration, while continuing to render lip-service to the need of encouraging the entry of foreign capital, has done much to deter it. Mr Mohammad Ali has made it plain, in his first press conference—though he was giving his personal views rather than the considered policy of his government—that he attaches great importance to foreign investment as an aid to the development of Pakistan and would deprecate any measures likely to discourage it.

Iconoclasts in Moscow

"They have cancelled him completely, we are living entirely without a Tsar. . . . Don't talk to our people about the Tsar, tell them what will happen about the local police officer."—From an early Soviet novel.

FOR the first time in a quarter of a century the Soviet papers did not carry Stalin's portrait on the first page in their May Day editions. True, his and Lenin's portraits were carried by marchers in the parade. Yet they were not, as in previous postwar years, alone: all the members of the present Party Presidium had their posters as well. What is more, in his speech and in his Order of the Day, Marshal Bulganin did not make a single reference to the "Great Founder of the Red Army." This is only one of the many recent signs that the cult of Stalin, which had been built up for years by an ever-growing propaganda, is now being played down. The ease with which the myth is being exploded is the more astonishing since Stalin did not, like Hitler, leave behind him a defeated country in ruins. On the contrary, he left the scene at the height of his power and glory. And yet within two months of his departure his apparently worshipping pupils and successors have proved themselves to be determined and effective iconoclasts.

Even before the war the cult was acquiring fantastic proportions. Stalin was being built up as all the Russian heroes rolled into one. He was Ivan the Terrible and Peter the Great, Suvorov and Kutuzoxv. He was also more than that. He aspired to a reputation as a thinker, a theoretician. His whims were canons for art. A chance remark in praise of the poet Mayakovsky was sufficient for the latter to be hailed as Pushkin's successor; an acid remark on another poet praised by Lenin—Demyan Byedny—was enough for the latter to fall into oblivion, grateful that no harsher penalty followed. At meetings, even when Stalin was present, laudatory telegrams had to be sent to him. His official biography ended with the words "Long Live Comrade Stalin." It was later reproduced in the Soviet Encyclopædia, which also contains a special map showing all the places where he had been during the Civil War. The history of the Revolution had to be rewritten to eliminate his competitors and victims and put him everywhere in the forefront.

Yet it was after the war that the cult showed itself in all its Byzantine folly. No treatise or article could be published

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on astronomy or medicine, biology or botany, let alone the social sciences, without quoting chapter and verse from the sacred works of the "greatest man of our times." The anniversary of each article or speech was duly celebrated in the Soviet press. Every few days the newspapers carried Stalin's portrait, and on each occasion he was looking younger, taller, nobler. One had the impression that, as in Tsarist times, the editors were getting a circular on how to present the ruler. His tiny pamphlet on linguistics gave rise to a special journal to comment on it. Dictionaries were to be rewritten on its basis. Never did so many write so much about so little.

The climax was reached at the last All-Union Congress. On its eve Stalin fulfilled his life-long ambition. He published a pamphlet on the Problems of Economics which, although crude in its theorising, was immediately hailed as a second *Das Kapital*. All the sections of the Academy of Sciences devoted special ceremonial sessions to it. The Institute of Economics promised to publish many textbooks and other works based on Stalin's "discoveries." There seemed to be no more heights to which he could climb. At the Congress he sat alone, separated from the ordinary mortals of his Politbureau. One began to wonder whether he was a mortal. The great fuss made in the Soviet Union about the possibility of extending life was clearly intended to create the impression that the "greatest genius" would not be allowed to depart. Yet on March 5th he was dead.

From Mausoleum to Pantheon

The speed and skill with which his successors set about destroying his legend is a proof that for some time already they had been impatient with their protector and had their plans ready. A move which preceded the funeral was a sign of things to come. It was decided that Stalin's body would be removed from the mausoleum to a pantheon. The mausoleum was a symbol of monocracy. Stalin created it ostensibly for Lenin, in fact for himself. Yet he himself is not to be allowed to lie in splendid isolation, like Tamerlane the Great in Samarkand. He will share the Pantheon not only with Lenin, but with all the dead revolutionary leaders. This is devaluation by inflation. At the funeral Malenkov's speech was businesslike, not moving. The mourning was unexpectedly brief. After Stalin's 70th birthday the *Pravda* went on publishing laudatory telegrams for at least a year. This time, after three weeks, all those who had sent condolences were officially thanked and the ceremony was over. Stalin's portraits disappeared. The quotations grew rarer.

Many examples could be given. For instance, the Constitution and the Five-Year Plans used to be preceded by the epithet "Stalin"; this has now been dropped. The article inaugurating the sowing season normally included a deep remark by Stalin that "sowing is a seasonal operation"; this year it appeared without it. The popular illustrated weekly *Ogonyók* used to be full of Stalin's portraits; in the last few weeks it has had none. The economic journal *Voprosy Ekonomiki* was filled, prior to Stalin's death, with analyses and commentaries on his pamphlet; its latest issue is devoted to the 70th anniversary of Marx's death and contains only an official communiqué about that of Stalin. On the anniversary of Gorki's death the ritual photograph of Gorki and Stalin was replaced by one of Gorki with the same Demyan Byedny whom Stalin once attacked.

In April *Pravda's* leader on Korea had only a single reference to Stalin. In the reply to Eisenhower he was not quoted once and even the denial of the beginning of a new era sounded only half-hearted. Indeed, in a May 1st article in *Pravda* entitled "Hope", Ilya Ehrenburg does speak of a new era, of the beginning of spring. True, he does not link it with Stalin. Yet is not the conclusion simple that his departure was needed for the "political winter" to end? This at least must be the view of the average Russian for whom Stalin's death means the calling off of a purge, an amnesty, the promise of greater freedom, of peace and a better standard of life.

Undoubtedly all the ramifications of the myth cannot be destroyed overnight. One can still find in the Soviet press appeals to study the life or the works of Stalin. But they usually come from correspondents in some remote area who are still as much behind the times as the foreign Communists. Besides, not all probably welcome the change. Some may fear that they will be the victims of this reversal of policy. Stalin was certainly not alone in launching the policy which led to the arrest of the doctors. In the *Komunist*, for example, the quotations from Stalin, though not plentiful, are more numerous than in the other journals. One of its chief editors—Chesnokov—rose to this post at the Congress on the wave of the vigilance campaign. He has just relinquished this job.

Why does it happen that a build-up so patiently and lavishly established over a quarter of a century should collapse so rapidly and with such ease? The answer lies probably in a paraphrase of Marx: Stalinism contained within itself the seeds of its own destruction. It changed the face of Russia. It taught the muzhik to read. True, he was then given panegyrics on Stalin to learn. Yet this was not all. The young Soviet school-children were brought up on the classics of Marxism, on the great Russian satirists and revolutionary writers. All this was dynamite. One cannot rely on whole generations having a split mind; they were bound to apply these tools to their own environment. The Stalinist cult grew on the fertile soil of backward Mother Russia. Things have changed after four Five-Year Plans. The official Soviet emblem is still a hammer and a sickle, but a turbine and a tractor would now be more appropriate. These have reploughed the Soviet land, but in the process they have sapped the bases of Stalinism.

Behind Japan's Vote

FROM OUR TOKYO CORRESPONDENT

THE Japanese have at least made it clear that rearmament by any other name would smell much sweeter. The dogged Mr Yoshida has scraped back into office, if only by an illusion of power, with 200 seats in a Diet of 466. He persists, straight-faced, in his insistence that Japan's slowly growing defence forces are an innocent constabulary body, and that Japan has not, cannot and will not in the foreseeable future consider rearmament.

Mr Shigemitsu, leader of the intermediary Progressive party, who had high hopes of ousting Mr Yoshida, was rash enough to call for open rearmament, following an appeal to the people for the necessary amendment to the MacArthur Constitution. He lost 12 seats and his crestfallen followers

are now vulnerable to the lures of Mr Yoshida. Mr Hatoyama's splinter Liberal party followed Mr Shigemitsu's rearmament example, lost six seats, and must reconcile themselves to being only a thorn in Mr Yoshida's side rather than strong timber to support a coalition government with the Progressives. On the pacifist side, however, the Left-wing Socialists, who both abominate rearmament and want the American garrison out of the country as well, increased their representation; so did the Right-wing Socialists, who had been toying confusedly with a compromise policy of both rice and guns. It is surmised that the lesson of the election will not be lost on the Right wing and that rice will definitely displace guns in their next election platform.

The American State Department blundered in the accidental, coincidental or deliberate timing of its sudden, election-eve pledge to maintain dollar spending in Japan, even if the "threat" of an armistice became a fact in Korea—a grisly prospect which haunts the thinking of Japanese industrialists. The State Department announcement, which rallied the sinking Tokyo stock market was, of course, immediately denounced by the Socialists as American interference in Japanese politics to help the return of Mr Yoshida's conservatives. The Americans still seem slow to recognise the extreme sensitivity of Japanese public opinion to even the most benevolent and sagacious advice from the old occupying power.

To many intelligent Japanese, the American dollar pledge at best smacks heavily of ingenuous Washington Danegeld. The less, indeed, the Americans have to say in urging Japanese rearmament—and they have had far too much to say openly already—the better for those Japanese leaders who know that rearmament must come but are pushed, politically, into subterfuge in order to get round the dead-letter Article IX, proscribing all armed forces for Japan, which General MacArthur once prematurely commended as an example to the civilised world.

Markets Not Militarism

On a long-range view, this burden of suspected US co-operation or interference is likely to weigh heavily against Mr Yoshida in particular and the conservative forces in Japan in general. Mr Yoshida held office thrice during the Occupation and, although the sturdiest and most patriotic of Japanese, who has been sniping heavily at Occupation "reforms" during his last tenure of office, he is becoming increasingly associated in the popular Japanese mind with open and concealed American influence in Japanese affairs. Repercussions may be even more unfortunate. A natural political reaction may well be reflex development of a strong anti-American policy and party outlook among the non-conservative forces.

The simple but overlooked fact is that the Japanese—denied or assured American armed aid—are not nearly as preoccupied with rearmament as they are with economic recovery. Just as American policy is concentrated on the challenge of Communism, so is Japanese policy concentrated on industrial expansion and the search for, and recovery of, markets. A world which remembers Japan as the old military aggressor tends to forget or miss this fundamental transformation. For the time being, at least, Japan has to think of living before fighting. If this changed outlook involves risks, the risks must be accepted with a shrug as unavoidable, while priority is given to what are regarded as more pressing national needs. Besides, the Americans have so heavily and earnestly emphasised their dependence on Japan that the risks seem to be perhaps not so serious.

If Mr Yoshida succeeds in forming a fifth uneasy administration, it is certain that his budget will not provide for increased armament spending. His first budget for a "sovereign independent" Japan ignored strong American pleas, led by Mr John Allison, the new American ambassador, for swifter and more extensive rearmament; it cut back last year's moderate arms vote of 182,000 million yen (£182 million) by 20 per cent. However strongly he is assailed on other and less important issues by new and old political foes in the Diet, no voice will be raised to criticise his repetition of this defence saving. The sundered Socialists might conceivably compel a closing of the conservative ranks if they could, by some prodigy of compromise, compose their differences and form a strong united opposition. Any such Socialist agreement would certainly be in conformity with the growing mood of "neutralism" now spreading in Japan.

Italy's Anglophobes

FROM OUR ROME CORRESPONDENT

THE arrival in Rome as diplomatic representative of the United States of a photogenic lady whose name, Clare Luce, conveys to the Italian reader "Clear Light," cannot but put on their mettle the occupants of the dimly suburban Villa Wolkonsky. This somewhat lugubrious building has housed the British embassy since 1946 when Israeli fanatics partly blew up the traditional British Embassy in its once pleasant park near Porta Pia. Villa Wolkonsky, which was the German Embassy in Hitlerian times, has had but one advantage. It is far too inaccessible for Rome's nationalistic youth to trouble to march against it. This is something in days when burning the carpets and curtains of the British Council premises is regarded by a section of that youth as the discharge of a sacred trust.

The Foreign Office would probably be ill advised to search round for a Clear Light of our own to send to Rome to compete in charm and brisk effectiveness with the American lady now taking up residence in the former Palace of the Queen Mother, in the heart of fashionable Rome. Nor, perhaps, should England ever be tempted to try and emulate France in the radiation of cultural influence to the "Latin Sister" from such magnificent Roman quarters as Michelangelo's Palazzo Farnese (the French Embassy) and the Villa Medici (the French Academy), providently acquired for French muses generations ago.

However else Anglo-Italian relations could be improved, the idea that public smiles and handshakes, or eloquent speeches and celebrations, could help much, seems to disregard experience. On what common memories can rhetoric draw? Dim recollections that Lord John Russell or Robert Browning encouraged Italy to acquire independence in defiance of the Papacy may have helped Britain in dealing with the Italy of Salandra and Sonnino. They are of little use with an Italy which is now engaged in examining its own Catholic conscience about that irreverent proceeding. Of small value are memories of comradeship in arms in the first world war when so little of the British part is remembered in Italy except Britain's repudiation of Italy's claims under the Treaty of London, and so little in Britain of Italy's part except a military disaster which became a by-word. The Mussolinian double decade is best forgotten altogether. The slender partnership of "co-belligerence" in the last phase of the second world war went a little way towards sponging the first phase off the slate. Yet even the fraternisation of British officers with Italian partisans in 1944-45 has become smeared by the Communist Party's attempted monopolisation of Italian partisan memories. There is nothing, in all this recent history, to form the argument even of an unembarrassed Anglo-Italian after-dinner speech.

Postwar developments are no more helpful. The chatter of the Italian dinner table is that England secured for Italy a punitive armistice and peace than America wanted to concede; that it drove Italy, save for a tiny Somali foothold, out of that great African estate first won by Rome for Europe; that it responded to Italy's need for a population outlet by taking in a few hundred Italian miners, and then dismissing them with some show of racial disdain; and that it has finally raised up, mainly by the agency of Mr Randolph Churchill, a modern counterpart of the Habsburg Empire at Italy's gates in the shape of Tito, the pan-Balkanist. These, of course, are not altogether the images of Britain which arise in the mind of an intelligent follower of Signor De Gasperi or Signor Saragat. An Italian liberal will still warm to admiration of the orderliness which British public life has preserved through the far reaching and resolute experiments in social reform. Nevertheless Britain will probably stand out even for him as the power which might have, but did not, shepherd the battered Europe of 1945 into unity. And then, of course, there is always Trieste.

Chocolates and Trieste

As always, the prevalence of an almost universal and at times, it almost seems, engineered and planned bitterness against Britain on the historical and political planes, unshared only by some select circles, is compatible with the most cordial personal relations between local Britons and Italians. The anti-British mood, though politically exploited by the Right, is in no sense whatever government-promoted or encouraged, and there are no complaints of Britons in any sphere of affairs being made to feel an Italian official cold shoulder. The public and private aid sent from Italy in our flood disaster was conspicuous. On the other hand Italian journalists increasingly preface remarks on British affairs with a protective "Far be it from me to wish to give any credit to the British, but. . . ." There is a diffused fear of an adverse public opinion against signs of pro-British feeling. The fashionable Rome grocery stores feels obliged to hide away British Coronation boxes of chocolates "because of Trieste." It would be absurd to compare the present diffusion of Anglophobia with the state of feeling in the thirties. On the other hand the mere fact that the sentiment was then being forced on by government agencies engendered a private reaction against it which is now missing.

The best method of working for an improvement in Anglo-Italian relations is probably to make sure that at no point shall they fall short of correctness. The Government presided over by Signor De Gasperi is one with which business can be done. It is a great deal that there should be seated in Rome a Ministry which does not bluff or bluster. The harm which could be done to British interests by an Italian Government which shared and exploited, instead of mildly withstanding, the vulgar Italian conception of a Downing-street weaving a mysterious Balkan policy in which to enmesh and frustrate Italy, might be considerable. The Pacciardi visit to Egypt and the Italian enthusiasm for Persian oil are examples of directions in which bad general relations could develop a long train of mutual mischief: naturally there are other directions in which Italy would be the more obvious sufferer. Indeed Italians perpetually think they are spotting things to their disadvantage in a supposed British sphere of influence across the Adriatic. Even a radiant Lady Ambassador could do little to make British policy, for a long time to come, charming in Italian eyes. It would be a great deal if a quite ordinary mortal could make it seem safe and unmysterious.

Holland After the Flood

ONLY eight of the 67 major gaps torn in the coast defences of Holland by the storm and high seas of January 31st remain to be plugged. The emergency operations are thus in sight of completion, yet in places sea-water still inundates and despoils the once rich farmland. Now that the immediate danger is over thought has turned to more permanent works to supplement or supplant the system of dykes which proved inadequate. An expert commission has been appointed to study the problem and to report on the ambitious project of enclosing the sea arms of south-west Holland.

Loss of life and damage to property was extremely heavy—the full cost has not yet been fully assessed but may reach 1,500 million guilders. Fortunately, the first estimates of the effect of the disaster on Holland's economy may turn out to be unjustified. The area affected includes 5.7 per cent of the total farmland and produces substantial proportions of the country's food crops, but is unimportant industrially. A large part of the 1952 harvest was salvaged and expansion in other areas will partly offset losses in the flooded districts, but increased food imports, particularly sugar, are expected later this year. Holland's export potential was only slightly affected. The trade gap in the first quarter of 1953 of 143 million guilders compares favourably with the 159 million guilders in the corresponding period last year, but must be expected to worsen when existing food-stocks, which are not excessive, are replaced by imports. Paradoxically a beneficial effect on Holland's perennial problem of structural unemployment has resulted. Registered unemployment of 111,835 in March, 1953, compares with 149,473 in the previous month and 145,386 in March, 1952. As temporary repair work is completed this trend may be reversed; but the disaster may herald the policy advocated in some quarters of compensatory spending by the government to reduce unemployment. The government's plans to meet the costs of the disaster have not yet been fully worked out, but there now appear to be second thoughts about using counterpart funds offered by the Americans. The original antipathy is said to have been due

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to the Finance Minister's apprehensions about the possible inflationary effects.

The magnitude of the disaster is not to be minimised, but there are some consolations for the stout-hearted Dutch. Providentially the flood coincided with a period of growing economic strength—gold and exchange reserves reached a new peak on April 27, 1953, of 4,207 million guilders, compared with 2,330 million guilders a year previously—and struck at a time when inflationary forces had diminished. Some deficit-financed reconstruction expenditure will now be not inappropriate.

Dr Adenauer and the EDC

HISTORY books sometimes describe important decisions as having depended on the whims and passions of a single man or small group of men. Although such a description often contains an element of over-simplification, Dr Adenauer's defeat in the *Bundesrat* over the ratification of the treaty for a European Defence Community offers a striking case in point. Up to a few weeks ago, Dr Reinhold Maier, the premier of the South-West German State (Baden-Wuerttemberg), was known outside Germany only to a few specialists and observers of its political scene. At present, it would be no exaggeration to say that it is partly on him and his small group of colleagues from Swabia that the future of EDC, and with it the future of European integration, substantially rests. How did this situation arise? Laws requiring the approval of the upper house (*Bundesrat*) have to pass with an absolute majority of 20 votes out of 38. Dr Adenauer's Christian-Democrats can muster 18 votes, whereas the Social-Democrats control 15. The balance of power is held by the South-West State, whose representatives are entitled to 5 votes. Each *Land* casts its vote in block form and it is up to its leader to determine what the wishes of his own *Land* are, and within each *Land* there may be complex coalitions which tie his hands. Dr Maier's decision to vote against immediate ratification and the resulting defeat of Dr Adenauer are, in effect, the outcome of just such a piece of complexity in local politics.

Within his own *Land* cabinet Dr Maier and three of his colleagues who are in favour of EDC are out-voted by five Social-Democrats. In order to come out in support of the Chancellor, Dr Maier would either have had to persuade these Social-Democrats to vote against their party line, or he would have had to take full authority on himself and destroy the coalition which at present governs the South-West State. There was no reason why Dr Maier should have taken this step. He is a Protestant of the old Weimar Republic stamp, and is a strong regionalist with little enthusiasm for the centralised methods of the Catholic Federal Chancellor. To Dr Maier the conflict with the Catholics over secular or confessional schools in Baden-Wuerttemberg is really more important than European integration, and this has led him into an alliance with the Social-Democrats. It is men like Dr Maier and President Heuss, moreover, who represent a genuine democratic tradition in Germany, and part of their opposition to Dr Adenauer stems from a legitimate distrust of imposed solutions and central authority.

The whole question of the constitutional struggle over the ratification of EDC has reached a stage of unbelievable complexity, partly because of the very nature of the federal system with its interplay of local and national concerns, and partly because of false moves and attempted short-cuts by the Federal Government. Dr Adenauer made his first grave error when he postponed, last December, the third reading of the EDC Bill in the *Bundestag*. He seems to have believed, moreover, and on no real evidence, that the Constitutional Court at Karlsruhe would rule EDC to be unconstitutional, and took the line that the legislature must make its political decisions before any judicial opinion is delivered. This has only led to further delay and confusion, and it is becoming increasingly clear that Dr Adenauer, if he tries to stick to his schedule, will run into fresh trouble.

The Chancellor's first reaction after his defeat was to consider bypassing the upper house altogether. After the lapse of a fortnight, in which the *Bundesrat* can express its views on laws not necessarily requiring its approval, the treaties could have been forwarded to the President for signature. This course would, however, have run Dr Adenauer into even deeper waters. It would have placed President Heuss in the difficult position of having to decide whether or not to sign after ratification by a simple majority in the lower house only. Many of Dr Adenauer's own party colleagues, moreover, would not have agreed to so cavalier a dismissal of the upper house, and it is by no means clear, as yet, whether or not upper house approval was or was not indispensable *per se*. An appeal might have been made to the Constitutional Court on this point and Dr Adenauer would have been back where he started.

Case for a Snap Election

It now seems likelier that the Federal Government will give the upper house a chance to change its mind. This does not mean that the Christian-Democrats are withdrawing their contention that the upper house is concerned, properly speaking, only with financial aspects of the EDC treaty, but it does mean that Dr Adenauer and his party still prefer cautious legality to any swift cutting of the constitutional knot. The one way in which to get the *Bundesrat* to vote differently is to break up one of the anti-treaty coalitions in the *Länder*. There is some hope that the coalitions in Stuttgart or in Hanover may disintegrate. Finally, it is just possible that Dr Maier may be convinced at long last of the importance of ratifying EDC instead of forcing Dr Adenauer into an *impasse* from which there would be no way out except by going to the country in a snap election.

Were it not for the fact that the electoral law is not quite ready, that is just what the Chancellor might have done in the last few days. The longer the delay between his triumphant return from America and the election, the more likely is he to lose his case and the fruit of his long perseverance. What is at stake, however, is not only the future of EDC and of the Adenauer government; it is also the belief of the German people—still only faint—in the processes of parliamentary democracy. Unless some way is found both to preserve the right of political opposition and to clear up this fantastic legal and constitutional muddle, the Germans will be tempted to write off the democratic experiment in their minds. That is what Dr Maier must realise when seeking to assess the respective importance of secular schools in Baden-Wuerttemberg and of a European Defence Community.

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Mr. R. A. Butler, Chancellor of the Exchequer in his Budget Speech, April 14th, 1953

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THE BUSINESS WORLD

Growth of Credit Insurance

WHEN the International Credit Insurance Association was celebrating its twenty-fifth anniversary in London last week one speaker bracketed credit insurance with the bill of exchange as "one of the few original ideas that has appeared in the realm of financial technique." This claim is not as far-fetched as might at first sight appear, though the comparison is between a surprisingly old and a surprisingly young member of the financial family. Most manufacturers have always had to deliver a substantial proportion of their products, whether at home or overseas, many months before their customers are ready to pay for them; the risks of default on those payments are measurable, and it might have been expected that insurers would have been early into this field.

In the event, however, credit insurance, as it now operates, is essentially a post-1918 development. The first attempts at credit insurance in Britain were made, with singular lack of success, in the 1890s. At that time serious difficulties were being encountered in trade with Australia. There had been a succession of bad harvests, superimposed on some speculative excesses, that had created a wave of insolvencies in Australia and a general atmosphere of uncertainty among British merchants shipping goods to that country. Some companies were established in London to insure credit risks in general and those to Australia in particular. They foundered almost at once on two rocks that were to be marked indelibly on the chart of those who were to navigate these waters in later years. The first was that policies tended to be asked for, and offered on, the most suspect risks. The second was that they often insured the whole of the loss and thus provided the insured firms with a positive encouragement to overtrade and to grant credit to the queerest sort of customer.

From this shaky start credit insurance in Britain made a slow but steady recovery. It soon became obvious that that recovery would have to be founded on two new basic principles of insurance of credit risks. The first was to allow the law of averages to operate, through providing cover not for selected risks (which when selected by the insured usually meant the most suspect risks) but for a firm's whole business turnover. The second was to call on the insured to bear part of the risk for his own account; this removed the temptation to overtrade, and gave the insured firm some inducement to apply sober standards in the selection of its customers and to pursue its debtors with reasonable commercial ferocity. These principles can be traced in the development of the Excess Insurance Company, established by Mr Cuthbert Heath in 1894, and in the later work of the Trade Indemnity Company which took over the credit insurance business of the Excess in 1918. The Trade Indemnity Company, together with the Government's Export Credit Guarantee Department (which now handles the vast bulk of export credit insurance), dominates the field today; part of its capital is held by some of the most important British insurance companies.

Around the turn of the century there had been a similar growth of credit insurance business in the United States—in part an invisible export from Britain effected by the Ocean Company of London, which transacted credit insurance in the United States between 1895 and 1934. But at an earlier date, in 1893, the American Credit Indemnity Company of Baltimore was established; this is now the oldest credit insurance company in the world. There were early echoes of this development of credit insurance in Germany, France and Switzerland; and after the end of the first world war they spread to the Netherlands, Belgium,

Scandinavia, Spain, Italy and Czechoslovakia. Some of these companies are linked by capital participation and interlocking directorates, and nearly all of them are allied through reinsurance arrangements.

The European companies cemented their alliance further in 1928 when they joined in the formation of an International Credit Insurance Association; later they were joined by the Mexican company that operates in this field. The Association provides a useful arena for discussion of common problems, but so far it has done little in the way of compiling composite statistics of premium income, policies issued and claims. This is an unfortunate omission. One of the main reasons why credit insurance has been so little discussed outside the narrow circle of the experts is that there are so few hard statistics for the lay analyst to bite upon.

★

The facilities that are offered by credit insurance companies naturally differ in matters of detail and technique from country to country, but the broad principles are now remarkably uniform. The risk covered is the insolvency or prolonged default of a buyer, and in all cases the insured is required to assume for his own account a certain proportion of the risk. The policies issued by credit insurance companies fall into two main categories. The first are global or "whole turnover" policies, under which a trader insures the whole of his business against the risk of insolvency or prolonged default of his buyers. The second is the specific policy that covers a certain part of a trader's transactions or, in some cases, may only apply to one specific operation. The "whole turnover" policy is, of course, more popular with the companies, since it allows the true principle of insurance—that is, the averaging of risks—to apply. The premiums quoted for whole turnover policies are therefore normally lower than those quoted for specific policies; they can be as low as 1 per mille, while rates for specific policies can rise—though they seldom do—above 1 per cent.

The business covered has expanded considerably in recent years. In Britain in 1951 the Trade Indemnity Company had a total premium income of £1,094,227, and in 1952 £1,064,055. Despite this slight diminution, the total risks covered last year increased from about £550 million to about £620 million—for more business was done at low rates of premium. Since the Government's Export Credits Guarantee Department covered about £500 million of business risks last year, over £1,100 million of the annual commercial turnover of the United Kingdom now seems to be covered by credit insurance policies in one form or another. This year's president of the International Credit Insurance Association, Mr A. N. Patrick, estimated last week that credit insurance turnover in Western Europe last year was in the neighbourhood of £2,000 million, of which over 50 per cent was covered by private insurers. The balance was covered by or for account of governments, whose intrusion into this sphere of credit insurance has been almost wholly restricted to covering risks arising out of international trade.

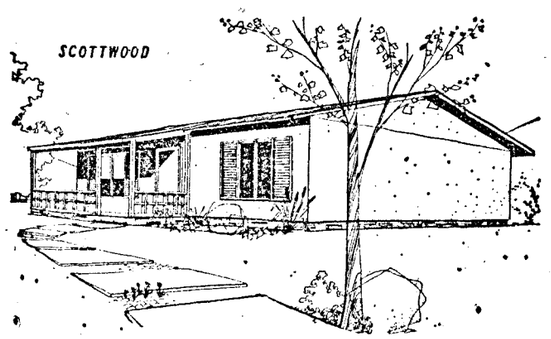
For the most part, the development of export credit business in Europe since the end of the first world war is the story of co-operation between governments and private enterprise. The general rule has been that while political and transfer (or "balance of payments") risks can most appropriately be covered by the state, commercial risks (that is to say, the risk of insolvency among individual foreign importers) can be covered partly or wholly by private enterprise. In Germany, for example, a private company acts for the government in arranging the whole range of export credit insurance and somewhat similar arrangements obtain in the Netherlands. In Belgium a private company covers the commercial risks in export credits while a state-owned undertaking covers the political and transfer risks (although it is also prepared to reinsure the insolvency risk covered by the private company). In France the state and private enterprise have joined forces in forming a mixed company that handles the whole of France's export credit insurance business. Britain and Scandinavia have stood apart from this system of wedlock between private and state enterprise. The Export Credits Guarantee Department here seeks to insure the (probably more profitable) insolvency risks on a single policy together with political and transfer risks. It has therefore secured the bulk of the export business, and left the Trade Indemnity Company to concentrate on the internal field.

The growth of credit insurance lies in the logic of modern commercial practice, and it would have occurred even if recent years of inflation had not created a dearth of capital, an increase in book debts, and therefore a larger demand by lenders for insurance protection. Moreover, credit insurance is viewed with particular favour by the banks. The cover provided under such policies is now often used as additional security for bank advances and for discount facilities. This was one of the technical subjects which was examined at last week's meeting of the International Credit Insurance Association. The use of such cover as security for bank loans can be achieved either by a general assignment to the lending bank of the whole interest in a credit insurance policy, or by a written guarantee from the insurance company to pay to the bank or discount house (within ninety days of the due date) the insured proportion of the amount taken by way of loan or on a discounted bill. There are certain technical difficulties attached to both of these systems, but they are gradually yielding to practice and experience. Certainly the credit insurance companies have every incentive to solve them, for when the businesses that they insure can secure a measurable concession in bank advances rates—simply because they hold a credit insurance policy—the premium charged can very nearly pay for itself.

Prefabs for Export

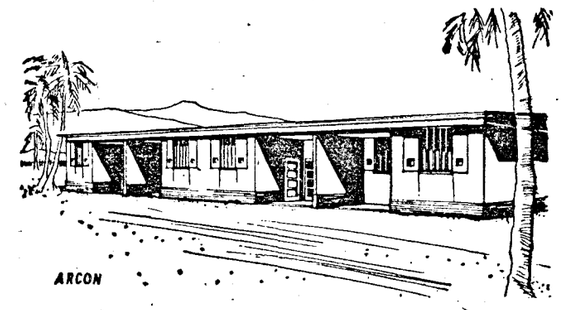
DURING the British Industries Fair at Earls Court, visitors have been able to inspect more than a dozen samples of Britain's newest export—prefabricated buildings. Though the score or more manufacturers of factory-made houses and other buildings have found a variety of solutions to the problems of prefabrication, and each extols the merits of his own over all others, all are agreed that this country has a marked lead in this technique. This is a deferred dividend from wartime work in providing temporary accommodation followed by postwar experience in the temporary housing programme that ended in 1949. In that year exports of "prefabs" amounted to a modest £80,000. Last year they reached nearly £7 million. Manufacturers are hopeful that sales will rise further, despite the import restrictions that have partly spoilt the best market, Australia—which in 1952 took over half the output.

The factory-built house in Britain initially proved dearer than houses built by traditional methods on site—dearer, too, than houses built on site of the main non-traditional material, concrete. In spite of this, more than 150,000 prefabs were put up to ease the housing shortage, and towards the end of the programme research, experience, better methods and mass-production had brought costs nearly into line with bricks and mortar. Today, the factory-built house can fully compete in cost with the traditional house, on a rough equation of space, standards and amenities. The cost of four of the houses of permanent wood construction shown at Earls Court, with areas of 680, 920, 948 and



1,000 square feet, worked out at £2,100, £2,100, £2,200 and £2,300 respectively, erected in this country under British conditions. A semi-detached local authority house, comparable in area, costs at least as much as this, and a bungalow would cost more. A single bungalow, built to the buyer's specification, would cost much more—between £3,000 and £4,000.

All these timber houses are "permanent" so far as solidity and durability are concerned, and are comparable to the British prefab in expected life. Most factory-built houses can be dismantled and moved to a new site. The extent to which a house is specifically built for easy portability depends on its purpose; a number of firms have developed light temporary structures for special uses—some have been carried about by camel on prospecting expeditions, for example, and others used in mountaineering. But wood and light alloy or steel-framed houses, though assembled from standard members and components, are in fact

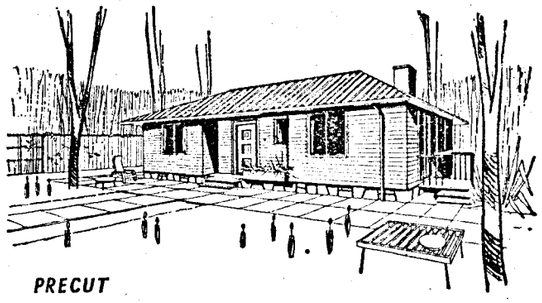


permanent, and compare in exterior and interior finish with houses built in any other way. Though they are light, those that have been tested over a period both in this country and in Australia have proved efficient in terms of strength, insulation, resistance to damp and weathering qualities. Though Britain has a tradition of building in wood, such houses are not readily accepted in this country; but in overseas countries, wood construction can provide a distinctive "colonial" style, while aluminium and steel framed houses fit well enough into the broader vistas of Canada, Australasia and Middle East. Nor does prefabrication necessarily imply uniformity of design. The degree of uniformity depends to some extent on purpose and on manufacturer; but houses now being exported in quantity can be considerably varied in layout by the rearrangement of the basic units.

There are two main types of construction. One has load-bearing walls—the walls themselves carry the roof trusses and roof and are correspondingly strong. Even so they may be light—as in the case of the Scottwood design that makes use of stressed skin walls of laminated plywoods; at the other extreme solid timbers are not prefabricated in units, but are grooved and precut in standard lengths and are built on site one upon the other as in a log cabin. The second design makes use of a framework of wood, aluminium or steel to carry the roof, the walls being merely panels of insulating and waterproofing materials. There are advantages in both types. A particular advantage of the second is that it is possible

to supply the framework and roof alone to countries that have wall material locally that is cheaper or more suitable than imported material. The Arcon group has specialised in a variety of insulated roofs mounted on stanchions; prefabricated wall panels can be supplied, but local materials—ranging from wood or stone to matting in some hot countries—can be equally well employed. The Trusteel organisation supplies only the roof, steel framework and prefabricated joinery of a single or two-storey house; the outer wall of brick and the interior of plasterboard is applied locally. This system combines traditional appearance with the speed of prefabricated assembly on site.

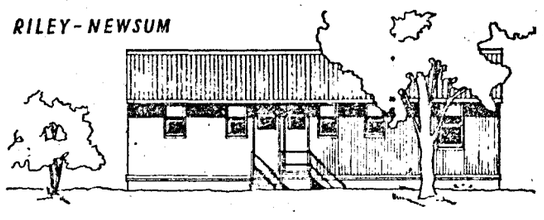
The lightness of prefabricated houses reduces the need for site preparation and the weight of foundations; they are assembled dry, so that site man hours are further cut down. Site time for erecting the average permanent wood bungalow now being exported varies from 250 to 500 man hours compared with 1,000 to 4,000 hours for traditional building. Houses designed specifically as temporary for rapid erection and dismantling may be put up in a day by a couple of men. The principal technical problem in non-traditional factory-made houses is satisfactory jointing of the component members. In the case of wooden walls, great progress has been made in evolving tongue-and-groove joints that are completely weatherproof and stay tight even if the wood shrinks, or if subsidence occurs. Frame houses are designed with H-section stanchions which



PRECUT

have the same effect, or with equally effective if less slightly cover strips that are impervious to damp.

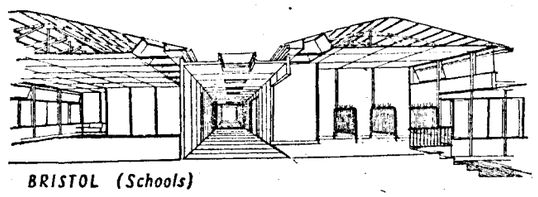
Research upon layered combinations of fibreboard, asbestos, strawboard, woodwool, fibregrass, aluminium foil, and other materials, have enabled designers to achieve light, thin walling with the thermal efficiency that is normally obtained from conventional brick-



RILEY-NEWSUM

work. A house weighing 10 to 20 tons (or even 3 tons) is claimed to be as durable and warm—or cool—as one weighing 500 tons. The skill of the chemist has made these materials fireproof and termite-proof. Until some of them have been in use for 50 years it will not be possible to pass final judgment; but their comfort and convenience in the present is not to be denied.

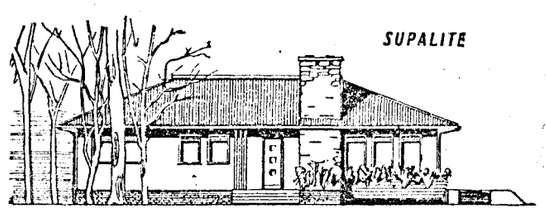
In export markets the wooden house has been the most successful. One firm has supplied frame wooden houses worth over £4 million to Australia, and expects to increase its sales next year by 50 per cent. A number of firms are planning, in collaboration with the local



BRISTOL (Schools)

housing authorities, to expand in the North American market; sales have already been made to Canada. Most of the houses are made from Scandinavian timber; but it is asserted that production costs are so favourable that it would be possible to import Canadian cedar and re-export it in the form of prefabricated sections in competition with local construction. Although the transport charges would exceed £200 a house, they might still compete with locally-built houses, given the high costs of joinery and assembly in Canada. Using Scandinavian timber, manufacturers hope to attract Canadian and American custom with houses built to their requirements at £980 f.o.b. for 907 square feet, or, in another case, £1,263 f.o.b. for 948 square feet. A comparable Canadian house would cost $7,000. But the conquest of Canadian markets has yet to be made. While Government bodies waive the duty (15 per cent in Canada, 27 per cent in Australia) in reckoning costs, the private buyer will have to pay. Local building codes are exacting and force up costs for the British manufacturer. Again, Canadian plumbers insist that preformed plumbing, which does them out of a job, must be charged a 33⅓ per cent rebate, payable to them.

In designing a house for export, there is no restriction on the quantity of softwood used, since the Board of Trade issues permits for the necessary timber. A solid timber house uses about four standards, compared with the permitted maximum of 1½ standards in a British



SUPALITE

house. Most forms of prefabrication use at least 1½ standards, many between two and three. The makers of prefabricated housing, however, have their eyes on the home market. A home market would assure them continuity of production and enable them to reduce prices. To sell on the home market, they must reduce the amount of softwood they use. This is now being successfully done by a variety of substitutions—largely by the use of hardwoods from sterling sources. The prefabricated house may therefore soon return as a direct competitor with traditional building. At a cost of 25s. to 36s. per square foot, it may prove a useful check on the cost of building by traditional methods.

The future, therefore, is not unpromising. It depends to a large degree upon continued development in the Commonwealth, and especially in Australia, where cuts in immigration and the achievement of lower costs in traditional building may make the going harder. A large part of the exports of prefabricated buildings has consisted not of houses, but of schools, hospitals, post offices and telephone exchanges, storage buildings of all kinds and, in the Middle East, labour lines and townships for oil companies. The research that has gone into the British building programme of non-traditional schools and which has produced such notable reductions in cost and improvements in design, has greatly helped the export trade. The Bristol Aeroplane Company alone have already provided schools and hospitals worth £5 million for overseas. The demand for such buildings is now increasing steadily in Africa and South America. If a movement towards better standards of housing asserts itself in many backward countries in Asia, Africa and South America, as some observers believe, there is good reason to hope that British prefabricators will play an increasing part in making such higher living standards practicable.

Business Notes

Liverpool Comes to the Market

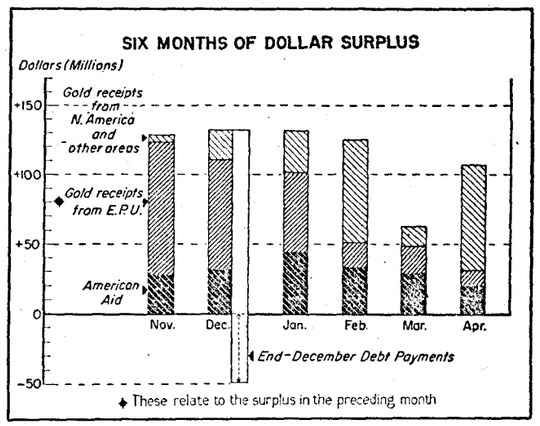
THE new freedom that the Chancellor of the Exchequer gave to local authorities to come to the market, if they so preferred, and to end their exclusive dependence on the Public Works Loans Board for new capital funds has not produced a spate of Corporation issues; nor, on the Chancellor's own outline of the provision that he will be making for their borrowing from central sources, is any spectacular sequence of such issues in prospect this year. Liverpool's new loan (for which the lists closed immediately on Thursday against the background of a vigorous gilt-edged market) comes after an interval of nearly four months since Birmingham broke the ice in the cold January days. And the vernal feelings in the gilt-edged market are marked in a significant change of terms. Whereas Birmingham offered £6 million of 4¼ per cent stock with a life of 14-17 years at 98, Liverpool's loan of £5 million is at 4 per cent, with a life of 16-20 years, at 96½. This conspicuous success has restored the 4 per cent coupon rate.

On the eve of the issue, the Birmingham loan stood at 3½ premium over its issue price (with £1 of gross interest due on July 1st). The yield on the Liverpool loan, to latest redemption, is almost precisely 4¼ per cent, and the attraction of the discount coupled with a slight advantage over the nearest comparable gilt-edged stocks ensured a well-supported subscription even before the market carried it home on a flood tide. From the point of view of the local authorities, however, a certain hesitation to come to the market can be understood, given the present structure of interest rates and the readiness of the PWLB to lend on the longest term at 4¼ per cent. Both Birmingham and Liverpool will be paying appreciably more than that rate, when the costs of management and stamp duty are included, although the abatement of stamp duty to the "single rate" of £1 per cent (with corresponding abatement for the composition of duty, which will apply in these two cases) will give useful relief from August next. The choice between the market and the PWLB does not rest exclusively on the relative costs of the two alternatives; but where, as for Birmingham and Liverpool, higher cost is openly accepted for a market issue, it must clearly be in the expectation that opportunities will present themselves within the optional redemption periods of the loans to refinance them on more favourable terms to the borrowers—an opportunity that would not be open to them on sixty-year loans from the PWLB.

Reserves Still Rising

THE sterling area's surplus with both the dollar area and Western Europe in April was larger than most people could reasonably have expected for this season of the year. In all, the reserves rose by $107 million, to $2,273 million, in the month; this compares with an increase of $63 million in March and with increases of between $125 and $130 million that would have been achieved in each of the previous four months but for the end-December interest payments on the North American loans.

This latest increase is all the more satisfactory because it occurred in spite of the fact that both receipts of American aid and the mid-April transfer of gold from EPU (in part payment for the sterling area's small surplus with Western Europe in March) were both below the average of recent months; they amounted to $20 million and $11 million respectively. The residual dollar surplus—which, for the most part, reflects the direct current balance between the sterling area and North America—therefore rose to $76 million in April, compared with $15 million in March and $74 million in February. It was known that the dip in this residual surplus in March had been partly due to an exceptional British payment for American tobacco; but the rebound back to and beyond the February level in April is a pleasant surprise—especially in view of the recent fall in the prices of several staple sterling area commodities. Moreover, although American payments for cocoa were still



at a seasonal high in April and although the tail-end of the wool season also fell in that month, the flush season for dollar receipts should by now have passed.

The increase in the sterling area's surplus with Western Europe, from £7,500,000 in March to £15.2 million in April, was an even pleasanter surprise; many observers had expected that the Easter efflux of British tourists to Europe would have eaten and drunk this surplus away. Half of the April surplus—£7,600,000 or about $21 million—will be settled by a gold transfer from EPU in mid-May. It is probable, however, that part of the explanation of this increased sterling area surplus lies in speculation by French exporters against their franc; these exporters are now again delaying repatriation of any sterling earnings as long as possible, and this delay undoubtedly helped to swell France's EPU deficit from $19.4 million in March to $51.6 million in April. All of this $51.6 million will have to be settled by France in gold.

Prospect for American Aid

INEVITABLY, the possibility of a continuance of this satisfactory showing of the gold reserves is inextricably bound up with the prospects for American aid. The arithmetic of this prospect is complicated enough to deserve detailed analysis. It is embarrassing to tot up a cheque that the donor may not approve, but to shirk the embarrassment is to shirk examination of a crucial factor in Britain's position.

The first point that needs to be made is that it is only American economic aid that has any economic significance for this country; the gross figures for aid shown in the American budget include the sum of the (frankly rather notional) price tags attached to certain weapons and other "military end-items" that are switched around among the allied armies. The second point is that Britain started the current American fiscal year—on July 1, 1952—with about $616 million of promised American economic aid on which to draw. This comprised some $90 million left over from the "machine tools for defence" agreement of 1951, some $110 million left over from the Congressional appropriation for economic aid in 1951-52, and $416 million from the Congressional appropriation for economic aid in 1952-53 (which included the tail-end of the so-called Katz-Gaitskell money with which the United States had promised to compensate Britain for allowing existing sterling debts to be thrown into the EPU clearings).

The British Government had originally hoped that most of this $616 million of aid would be drawn in the year to June 30, 1953. In fact, because of accounting difficulties at the American end, only $352 million has been drawn to date. It is unlikely that more than $50 to $100 million will be drawn in the remaining two months of the American fiscal year, so that total aid receipts in this fiscal year will be somewhere between $400 and $450 million; perhaps the best guess is that about $175 million of the original $616 million will be left over on June 30th next. To this $175 million President Eisenhower has now asked Congress to add $200 million of appropriations for Britain in 1953-54. If his proposal is approved, $100 million of this $200 million will be disbursed in the traditional way—as re-imbursement for certain of Britain's dollar imports. In 1952-53 the only imports that have qualified for re-imbursement have been "defence-supporting" imports; it is largely because these have been defined in a rather disappointing way (with great emphasis on raw materials like sulphur that reek of gun powder and with which Britain is now comfortably placed) that drafts on the aid appropriations have lagged behind original schedule. For 1953-54, however, Mr Stassen reported this week that the $100 million appropriation would finance American exports to Britain of wheat, cotton and lard; it is still too early to say what this apparent change in emphasis about "eligible imports" implies, either for the dollar reserves or for American export policy.

The President has proposed that the other $100 million of the appropriation for Britain in 1953-54 should be disbursed in an entirely new way—as payment for the manufacture in Britain of military aircraft required by the RAF. The British Government would, of course, pay for these aircraft in sterling, but it would be re-imbursed in dollars—a system of aid that has been used in France before but not in Britain. Once again, it is too early to say what effect this new system might have on the lag between aid appropriations and aid receipts. The net effect, however, is that, if Congress disposes as the President proposes, Britain may start the next American fiscal year with some $375 million of aid in hand, compared with $616 million in hand at the beginning of the current year and with probably between



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UNILEVER LIMITED
AND
UNILEVER N.V.

The Boards of Unilever Limited and Unilever N.V. RESOLVED to-day to RECOMMEND to the Annual General Meetings of their respective Companies which will be held on 10th June, 1953, the DECLARATIONS of FINAL DIVIDENDS on the Ordinary Capital in respect of the year 1952 payable on the 22nd June, 1953, as set out below :—

In the case of Unilever Limited a DIVIDEND of 8¼% actual (1/8.4d. per £1 of stock) less income tax at 9/-d. in the £, making 13¼% for the year ended 31st December, 1952 (1951—13¼% for the year) PAYABLE to STOCKHOLDERS REGISTERED in the books of the Company on the 23rd MAY, 1953.

In the case of Unilever N.V. a DIVIDEND of 7½% actual (Fl.75 per Share of Fl.1,000) making 12% for the year ended 31st December, 1952 (1951—12% for the year) PAYABLE less 15% dividend tax.

The total dividends are equivalent in value under the terms of the Equalisation Agreement between the two Companies.

The combined trading profit on the Groups' operations throughout the World was £38,921,000 (1951 £53,933,000) and the combined consolidated net profit was £21,056,000 (1951 £18,838,000). The trading profits are after charging depreciation £11,542,000 (1951 £9,753,000) and reserve for replacement of fixed assets £5,283,000 (1951 £5,115,000). Consolidated net profit is arrived at after charging taxation on profits of the year £22,180,000 (1951 £32,984,000) and bringing to credit transfers from reserves for stocks £1,868,000 (1951 £3,000,000 was transferred to the reserves) and exceptional items including taxation adjustments relating to previous years £4,918,000 (1951 £2,438,000).

The results for the Groups separately were :—

	Consolidated Net Profit	*Profit of Parent Company*
Unilever Limited	£13,343,000 (£12,127,000)	£6,247,000 (£5,969,000)
Unilever N.V.	£7,713,000 (£6,711,000)	£4,141,000 (£3,657,000)

The Reports and Accounts of both companies will be issued on 18th May, 1953.

7th May, 1953.

$400 and $450 million of actual receipts during the current year. In addition, Britain should earn more—perhaps over $100 million more—in 1953-54 from progress payments for the manufacture of tanks and aircraft bought by the American authorities for the armed forces of continental countries. For 1954-55, Mr Stassen indicated, there will be another cut in aid appropriations to Britain, and "the early termination of all such assistance is contemplated." But 1955 is two years off.

End of Price Control

ON April 30th, the Board of Trade took off the last remaining statutory price control—on nylon stockings—and began to dismantle the machinery of the once powerful Central Price Regulation Committee; the Order in Council giving authority for these steps recorded that "the emergency which gave rise to the Goods and Services (Price Control) Acts came to an end yesterday." The Committee was brought into being early in the war to "advise and assist" the Board of Trade on the control of prices; the majority of consumer goods were at one time or another under the control of its seventeen regional committees which were responsible for the simultaneous operation of several hundreds of separate orders. The winding up of price regulation will save 125 staff and £75,000 a year.

The 1952 budget, by removing at one sweep from price controls most kinds of textiles and all clothing (except nylon stockings) took away much of the committee's work, which by then was largely involved in administering price controls associated with the utility schemes. More goods, from prams to sewing thread, were removed from price control during the summer and when, last December, furniture was liberated, only linoleum and nylon stockings remained to occupy the committee. Linoleum was freed at the beginning of April.

The administration of price control on manufactured consumer goods tends in its nature to fix maximum prices at a level that gives the marginal manufacturer a sufficient margin of profit to stay in business, and its 13 years of operation on this principle had profound effects on the competitive vigour of the British economy. It is a measure of how far common sense on matters of consumer prices has in recent years been obliged to yield to political expediency that the last item of all to be released from price control should be one with such essentially frivolous associations as nylon stockings.

More than Enough Steel?

THE Government's allocation scheme for steel has not made much difference to the home trade in most products during recent months, yet its belated abolition this week may bring about some marginal slackening in demand. When the earlier rationing scheme ended in May, 1950, steel consumers were able for a time to moderate their orders by running down the stocks that rationing had prompted and enabled them to accumulate. Last year's rationing scheme seems to have been even more inefficient than was the earlier scheme in its later stages. Consequently, the present stocks of steel in consumers' hands are probably much larger; Mr Sandys said in Parliament this week that at the end of 1952 stocks were about 200,000 tons larger than in June, 1950. The Minister had already explained that

> . . . before ending rationing, the Government felt it desirable to make sure there was not only enough steel but a little more than enough.

If steel consumers now begin to reduce these inflated stocks, supplies of steel this year may indeed become more than comfortably sufficient.

Home deliveries of steel last year represented rather more than 15½ million ingot tons (on a 52-week basis); but consumers probably used the equivalent of 15 million ingot tons of what they bought, some 2-3 per cent less than in 1951. From this lower level for 1952, according to the Government's reckoning, demand this year should rise by about 6 per cent—which implies a consumption of nearly 16 million ingot tons (in the form of more than 11½ million tons of finished steel). But the supplies in prospect are much higher; the industry itself expects to produce 17½ million ingot tons, and it should have no need to build up its own stocks further. Imports by the industry and by consumers, according to the best guesses at the beginning of the year, were expected to reach 1¼ million ingot tons; with re-usable material, total supplies of steel might exceed 19¼ million ingot tons. Exports seem unlikely much to exceed last year's; home deliveries might therefore be well over 16½ million tons. If steel consumers were to draw fairly heavily on their stocks, steel consumption in Britain could be increased not by 1 million ingot tons, as the Government expects, but by 2 million tons. The outlook for the British industries that use steel is not clear enough to suggest whether they could use all this extra tonnage; evidently, the projected imports of more than a million ingot tons could be recast in adjusting supply to demand.

Copper Market in August

ON August 5th the London Metal Exchange will be dealing in all four of the non-ferrous metals in which it traded before the war. On that day Government trading in copper will end; Commonwealth producers have been given the necessary three months' notice terminating the government's purchasing agreements; and private import and sale of copper will be permitted. Liberation has not been a hurried process, for the Metal Exchange resumed dealing in tin in November, 1949, in lead in October, 1952, and in zinc in January this year. But in the case of copper, particularly, it will be a welcome relief to have prices determined by an open market, instead of being fixed by Government fiat and by the not always representative prices posted in the United States.

The dollar shortage has delayed the freeing of copper; but given the improvement in supplies of copper from the sterling area, coupled with the recent reductions in price, and the safeguards of exchange control—the latter now

being assisted by the abating of speculation against sterling —the government is well justified in taking some small dollar risk. Imports of unwrought copper in various forms into this country amounted last year to about £90 million, of which imports from Northern Rhodesia cost about £55 million, while £9 million came from Canada and £12 million from the USA. International dealings on the London copper market should earn foreign exchange for Britain.

World prices of copper have been moving downward for some time. Last week the Ministry of Materials reduced its selling price by £27 to £253 a ton. Users of copper, who remember that a free market in the other three metals was followed by lower prices, are presuming a further fall in copper when private trade is resumed ; they have been buying hand to mouth for some time and are likely to do so until August. The Ministry of Materials is now considering the gradual liquidation of a large part of its stock of copper ; this is put at about 200,000 tons, equal to this country's commercial needs for almost a year. Part of the stock will no doubt be retained for strategic reserves, and it is expected that the liquidation can be contrived without disturbing the market. Chilean price policy will now be keenly watched ; hitherto the price of copper has been governed largely by the erratic course of bargaining between the USA and Chile. An open market in London is likely to be widely welcomed by consumers far beyond this country.

Japan's Sterling Shortage

JAPAN'S sterling balances are now down to such a low level—they are reported to be no more than £35 million, compared with a peak of about £135 million towards the end of last June—that it is having to resort to what are known as "swap" and "usage" facilities on the London market. The announcement that these facilities would be made available to it (through the ordinary banking mechanism) came at the end of the recent informal discussions on Anglo-Japanese payments, which brought further into the limelight the extraordinary decline in Japan's sterling balances in the last twelve months. There have been several reasons for this decline. One of them has been the payment by Japan of £20 million to a special account with the Bank of England as a token of goodwill in implementing the external debt agreement. But the most important reasons have been the severe restrictions on imports from Japan that were applied in most of the sterling area countries after the Commonwealth Finance Ministers conference of January, 1952 ; and the fact that Japan has been restocking its reserves of wool, copper, rubber and other sterling materials. In consequence, Japan has run into a heavy deficit in its balance of payments with the sterling area. The import restrictions aimed against Japanese goods are already being relaxed in some Commonwealth countries ; but this will not have an appreciable effect until the end of the year, and more immediate steps have therefore had to be taken to remedy the position.

In the main, the urgently required addition to Japan's sterling balance will be secured by swap operations against dollars. Japan has an adequate reserve of dollars but it is

unwilling to convert these dollars into inconvertible sterling outright. It is, therefore, buying sterling against dollars for immediate delivery and reselling the sterling, also against dollars, for delivery in three and six months' time. In this way sterling will be made immediately available but will be reconverted into dollars at an assured rate. The operation is, of course, based on the expectation that Japan's earnings of sterling will have grown appreciably between now and next November. In addition to these swap operations Japan is also seeking to raise sterling by discounting bills with a group of Eastern and other banks in London. For some time past Japanese banks have been drawing "sight" bills on banks in London against imports into Japan. Arrangements have now been made for extending these drawings to ninety day bills. With the help of these swap and "usance" operations, Japan may be able to mobilise nearly £30 million in the near future. But it will have to pay this back some time in the summer or autumn, and it will be interesting to see what will happen if its sterling accounts have not after all swung back by then into their expected surplus again.

Trade Talks with Brazil

TRADE between the United Kingdom and Brazil has been grinding towards a standstill for many months ; it is at present running at a rate equivalent to an annual turnover of about £25 million, compared with over £100 million in 1951. It is, therefore, welcome news that formal trade talks between the two governments are to be held later this month.

Two major questions are likely to overhang these negotiations. The first concerns the settlement of the huge commercial arrears—amounting to some £60 million—already owed to this country by Brazil. It has been informally suggested that half the sterling earnings of Brazil due to any revival of Anglo-Brazilian trade might be devoted to repaying these arrears and half of them to increased Brazilian imports from the sterling area. Some traders in Brazil consider that such an allocation to the settlement of old debts would be far too great, and many people in the City consider that it would be far too little. Meanwhile, however, the British Ambassador has fortunately received a categorical assurance from the Minister of Finance that servicing of these trade arrears will not be affected by any devaluation of the cruzeiro. Hitherto anxious mutterings on this score had been met by the bland statement that the problem could not arise, since Brazil had no intention of ever devaluing the cruzeiro—and this despite the fact that sterling opened last February on the new free exchange market (on which certain export proceeds can be sold and through which many imports must be financed) at twice its official parity, and has been sky-rocketing since.

The second major problem will be whether Brazil will take internal steps to make it worthwhile for sterling area countries to buy its products ; so far, the operation of the free exchange market seems to have restored the prices of some—but only some—of Brazil's exports to somewhere near world levels. There seems, for example, to be a possibility—though not a very exciting one—of more United Kingdom imports of Brazilian sugar, iron ore, oranges and nuts. In the background to all this, there is an unhappy

story of falling business and mounting dismissals of staff among British trading concerns operating in Brazil ; it is not surprising that these circles have thrown their support behind any and every proposal to increase Anglo-Brazilian trade (if necessary on an uneconomic barter basis), and have been thoroughly exacerbated when external critics such as *The Economist* have suggested that Britain really cannot afford to pour new goods into Brazil when so many old goods have not been paid for. There is the additional complication that the Export-Import Bank has recently announced a loan of $300 million to clear off Brazil's dollar commercial arrears. The odd situation seems to have arisen, in Brazil as in Japan, that sterling is now a scarcer currency than the dollar ; and, as Brazil is unwilling to pay in dollars for its sterling imports, the competitive position of United Kingdom exporters in that market is being gravely undermined.

Atomic Power in Cumberland

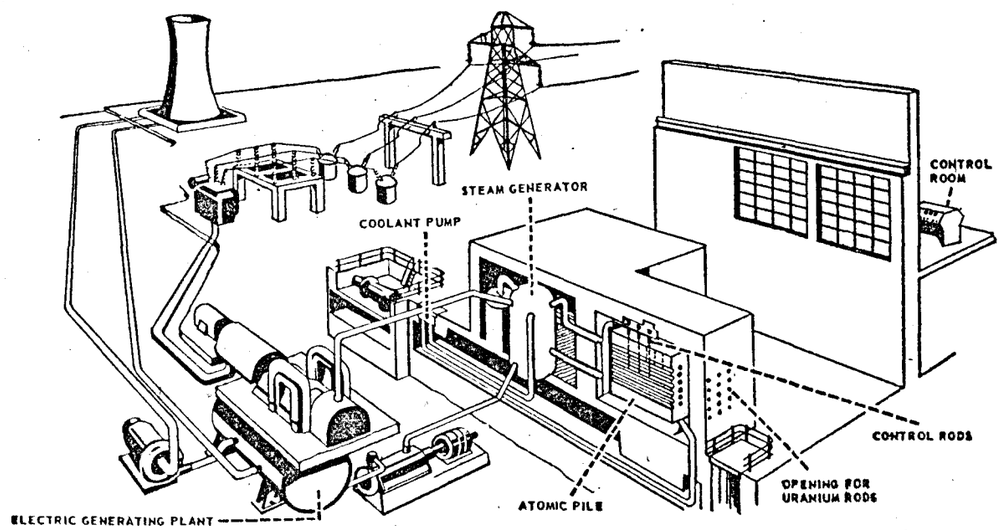
WORK began this week on the site for the first atomic power station in this country. The project is a logical step in the expansion of the atomic energy organisation, for the new plant is likely to serve the dual purpose of developing electric power and increasing the supply of plutonium. It will adjoin the existing plutonium plant at Winscale in Cumberland and will, in essence, be a replica of the Winscale pile, operating at higher temperatures. This atomic pile turns a proportion of the non-fissile atoms of natural uranium (which outnumber the fissile atoms by 140 to 1) into plutonium, a fissile material that does not exist in nature and is used in atomic weapons. The simplest method of generating atomic power from a uranium pile, as foreshadowed by the Minister of Supply early this year, would be to enclose the pile in a pressure shell, and then to circulate pressurised gas over the pile from which it absorbs heat, thence through a heat exchanger converting the heat to steam which is fed to a conventional turbo-generator. The sketch gives an impression of the lay-out of such a plant ; the pile itself would probably be a concrete-encased cube roughly equivalent in size to a four-storey building. No indication has been given of the possible capacity of the new power plant.

To obtain enough heat to drive a generator, the atomic pile would have to be operated at much higher temperatures than would be needed for producing plutonium alone. Much has yet to be learned about the behaviour of the various materials at the temperatures that are thought to be necessary, which are higher than those at which atomic piles have yet been operated. The cost of such a plant would no doubt be high, though off-set by the fact that plutonium would be produced as a joint product. Extra plutonium is in fact needed to support the modest atomic weapons programme in this country and to spare some fuel for experiments in atomic propulsion. Plutonium can only be produced atom by atom and the capacity of the pile now working at Winscale is limited. Its new neighbour will be the first plant of its kind in the world—though perhaps not the first atomic plant to produce power, since the propulsion units of the American atomic submarine may be working before it is completed. A few days after announcing the start of work on this plant, Mr Sandys gave some new information about the organisation of work on atomic weapons. This is centred at Aldermaston, but it appears also to involve Woolwich Arsenal—a white elephant that now becomes a dark horse.

Demand and the Strip Mills

SINCE 1924, when the first continuous steel strip mill was laid down in the United States, the output of flat steel products there has more than trebled, rising from 46 per

LAYOUT OF ATOMIC POWER STATION



cent of America's finished steel production to 58 per cent; nearly 65 per cent of American flat steel is now produced on continuous wide-strip mills. The first European continuous strip mills were laid down in Britain and Germany in the late thirties; but it is only since the war that Europe has generally followed America into this technological advance in steel-making. Eleven continuous or semi-continuous wide-strip mills and four Steckel mills (which give a lower output but comparable quality) are now working or will be in operation in Western Europe by 1956; Russia has three, though no more appear to be planned in the Soviet orbit. The continuous strip mill, indeed, has been almost as fashionable in postwar industrial investment in Europe as oil refining; and the Economic Commission for Europe has recently been examining the market prospects for all the flat steel that these mills will soon be able to produce.

Under American conditions, the Commission estimates, the European mills would have a capacity of 17.2 million metric tons a year by 1956; but this calculation implies that other facilities would be balanced to the capacity of the continuous mill, that maximum operating rates would be achieved, and that large orders would prevail, with heavy price penalties for small quantities and special requirements. The "European capacity" of the 15 mills, given adequate steel supplies, would amount to 12.6 million metric tons; but among European producers, only Britain is proposing to raise production to this capacity by balancing its steel-making facilities at Margam, Shotton and Ebbw Vale. The strip mills in other European countries will probably still be short of steel by 1956; so the production in prospect from all the mills in 1956 is not likely to be more than about 9.6 million metric tons. In addition, capacity at other non-continuous sheet and strip mills (on present plans for scrapping) will still amount to about 7 million metric tons a year; including plate and narrow-strip mills, the total output of flat steel is expected to be about 24.9 million metric tons.

The commission has made detailed studies of the trend of flat steel consumption in the vehicle, shipbuilding, container, capital goods, and durable consumer goods industries. It guesses that home and export demand for flat steel from European producers may be about 21.5 million metric tons by 1956, though it might reach 25.7 million by 1960; this would follow the experience of the United States, where there was a lag of several years before the growth of demand caught up with strip-mill capacity. The Commission holds that demand for plates may grow faster than capacity, and that there may be a case for extra plate mills. But it suggests that old capacity for making thin flat products such as sheet, strip and tinplate will have to be scrapped faster than is now planned; otherwise the strip mills on the Continent may continue to run far below capacity and will be unable to compete with costs in Britain and the United States.

Rubber Doubts Continue

When the annual conference of the International Rubber Study Group opens in Copenhagen next Monday it will consider the proposals prepared by a working party earlier this year for an international agreement and the creation of a buffer stock. These arise out of the basic fact that since 1946 production of natural rubber has exceeded consumption. During the last three years, world production has been around 1,800,000 tons a year, exceeding consumption in 1950 by 155,000 tons, in 1951 by 375,000 tons, and in 1952 by 330,000 tons. Apart from considering the general consequences of a possible change-over from rearmament to peacetime demand, the conference will also have to take a view on the synthetic rubber situation in the United States.

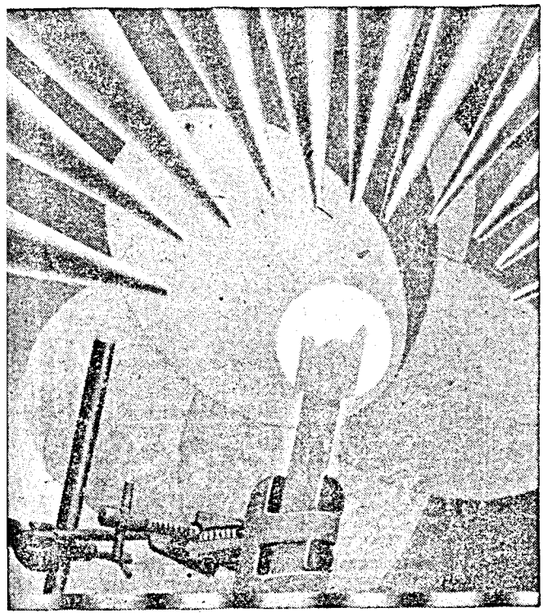
The natural rubber industry must inevitably face economic difficulties—and political difficulties in Asia as well—so long as prices for comparable grades are lower than 23 cents a lb, at which GR-S general purpose synthetic rubber is pegged by the American government. Natural rubber has hovered near this figure for some weeks past. On the eve of the Copenhagen conference a suggestion towards an accommodation was voiced by Sir Sydney Palmer, the chairman of the Rubber Growers Association, Sir Sydney declared that since "the present rubber situation has arisen as a result of American policy," he would have thought it reasonable that "a slight revision of this policy might create a situation wherein artificial correctives were not required." There has always been room for argument whether the price that the American government has fixed for synthetic rubber reflects full costs; there are respectable opinions on each side. But Sir Sydney Palmer's statement suggests that a somewhat higher price for GR-S would be sufficient to encourage natural rubber producers to abandon their proposals for a buffer stock which many Americans (and others) view with apprehension. The test is whether the natural industry, given this slight amount of leeway, would be ready to improve its methods and lower its costs. The US government has already declared its intention to sell its synthetic plants to private companies and there are reports that the price of synthetic rubber may be raised, partly to assist these deals.

Germany's Exchange Market

The foreign exchange market in West Germany has been appreciably expanded and liberalised this week. Hitherto the Bank Deutscher Laender had bought and sold foreign currencies from and to German nationals at fixed rates. Now, however, market quotations have been introduced for a number of currencies—including Swiss, French and Belgian francs and Dutch guilders—and dealers are allowed to buy and sell these currencies within a range of from ¾ to 1 per cent on either side of the official parity. All new dealings will have to be strictly bilateral between the currency concerned and the Deutsche mark, and triangular dealings—for example, arbitraging between Belgian francs and Dutch guilders—are forbidden. So far no provision has been made for including sterling in these facilities but discussions on this subject have taken place with the Bank of England. There should be no difficulty in bringing them to a successful conclusion—unless indeed the whole project gets caught up with a more ambitious scheme for some extension of multilateral exchange dealings in Europe, which seems to be in the air.

THE ECONOMIST, MAY 9, 1953

I.C.I. Technical Service



THE chemical industry's ability to meet the needs of customers at home and to succeed against competition abroad is determined largely by the efficiency of its technical service—that is, the advice and assistance it gives to those industries that use its products. The man who buys heavy chemicals is not persuaded to do so by high-pressure salesmanship or intensive advertising. He buys them because they are the necessary raw materials of his business, and he tends to go to a concern which not only enjoys a reputation for quality but supports its products with technical service. Technical service works in two ways. It confers obvious and direct advantages on the consumer, and the chemical industry also benefits. Out of the experience of its technical service are born new products and new techniques, to improve efficiency in many trades. I.C.I. employs hundreds of qualified men in this specialist organisation, which covers nearly every branch of Industry and Agriculture at home and abroad, and costs over £1,000,000 a year. Such an organisation can only be maintained by a large-scale enterprise.

ICI

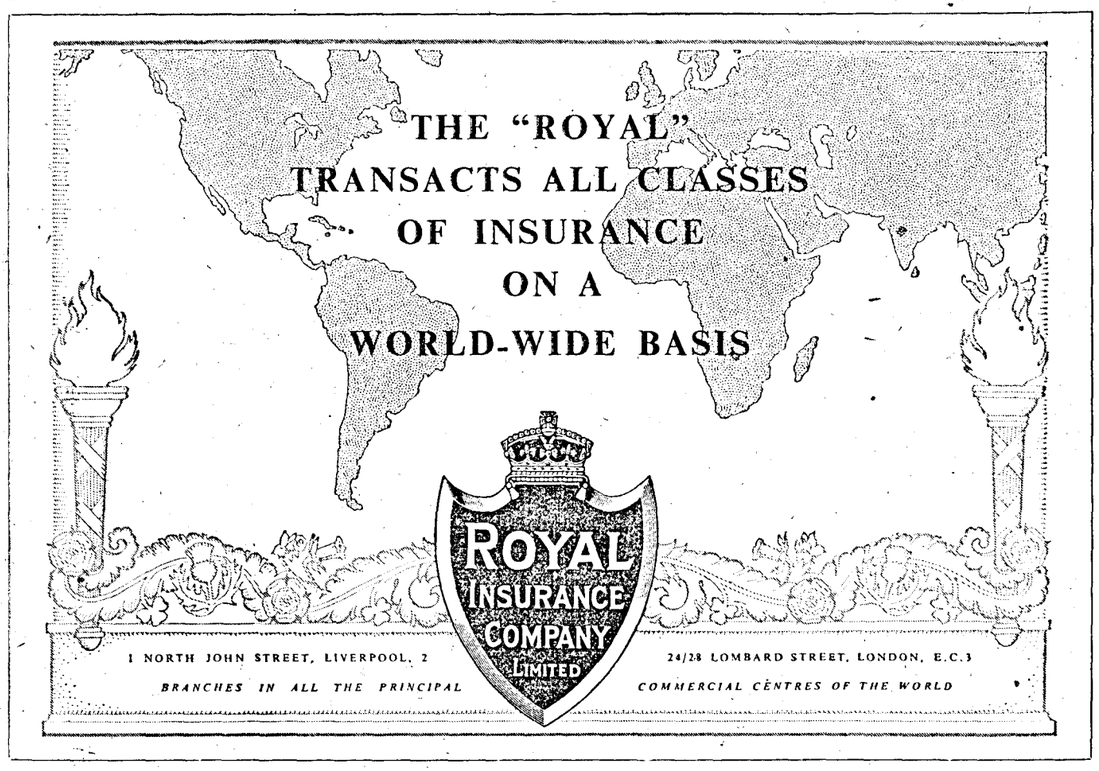


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NOTICES

THE UNIVERSITY OF LEEDS

DEPARTMENT OF ECONOMICS AND COMMERCE

The Council invites applications for an Assistant Lectureship at a salary on the scale £500 x £25 to £550 a year. Preference will be given to candidates whose interest is mainly in Economic Theory and possessing some knowledge of mathematical economics or statistics. Applications (three copies), stating age, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds 2 (from whom further particulars may be obtained) not later than June 8, 1953.

ST. HILDA'S COLLEGE, OXFORD

The College will shortly appoint a woman as Treasurer. The post is half-time and non-resident, but if a suitable candidate applies it may be combined with a Lectureship, in which case it may be resident. The person appointed will be eligible for election to an Official Fellowship. Candidates should hold an honours degree and have had some administrative and preferably some academic experience. Further particulars may be obtained from the Secretary. Last date of application May 31st.

ABLE and intelligent young Executive (32), Hons. Grad. in Commerce, broadly experienced in leading companies in industrial administration and commercial methods and management, seeks expanding enterprise.—Box 243.

WORK STUDY.—The Wool (and Allied) Textile Employers' Council proposes to establish a Work Study School and Consulting Service for its members. It requires:

(1) A PRINCIPAL AND CHIEF INSTRUCTOR to undertake the general administration of the school and give some instruction, including appreciations for directors and managers. His initial responsibility will be to direct the preparation of a syllabus for three months' courses in Work Study, each to be followed by extended practical guidance of the trainee. Organising ability is therefore essential. He must also have wide practical experience of Work Study application at consultant level, ability in giving instruction and considerable personal qualities. He must, in addition, have the ability and enthusiasm to lead a team. This is an important appointment and salary will be commensurate with the responsibility and the applicant's ability.

(2) A small number of CONSULTANT/INSTRUCTORS to help in training men and subsequently to guide and assist them in practical applications in their own factories. They should have wide practical Work Study experience and be capable of working at consultant level. Considerable emphasis is attached to high personal qualities and ability, for which commensurate salaries will be paid.

The Organisation covers some 1,000 manufacturing firms in a fairly compact area and the work would permit of settled residence. There is also a superannuation scheme.

Applications, marked "Work Study," should be sent as soon as possible and in any case not later than June 15th, addressed to the Secretary of the Council at Lloyds Bank Chambers, Hustlergate, Bradford. They should give a personal record, including details of education and experience, together with the names of two referees as to character and ability (to be consulted later and then only with prior notice). Strict confidence will be observed.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

APPLICATIONS are invited for TWO RESEARCH ASSISTANTSHIPS in ECONOMICS. Each is for one year, with the possibility of renewal for a further one or two years. Salary £450 per annum.

Further particulars may be obtained from the Registrar, University College, Cathays Park, Cardiff, to whom six copies of application, together with the names and addresses of three referees, should be sent not later than June 20, 1953.

(Signed) E. R. EVANS, Registrar.

Cathays Park, Cardiff. April, 1953.

PRODUCTION-ENGINEERING LTD., consultants in industrial and business management, require additional staff. Applications are invited from Chartered Accountants with industrial experience who are interested in the development of financial costing and administrative control. Technical ability is a prime essential, but great weight will be placed on personal attributes. Only first-class men will be considered and preference will be given to those with a university degree or service experience and a wide background. Before responsible work is undertaken, careful training within the company will be given which may last one year. Age should be between 26 and 38 years. The remuneration is high. These will be permanent appointments with excellent prospects for future advancement.—Applications should be sent in confidence to Production-Engineering Ltd., 86 Cross Street Manchester, 2.

DIRECTOR of merchant/manufacturing group (35), combining highest legal qualifications with considerable practical business experience, is seeking greater scope for activities. Widely businesstravelled throughout Europe, fluent French, German, Italian.—Box 242.

TRAINEE BUYER required by manufacturers of packaging materials. The Works is at Portsmouth but the successful candidate will first receive up to twelve months' training with the parent company in Lancashire. Young man in early twenties preferred. University education desirable but not essential. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952. Apply with full details to Box 244.

AN intelligent Advertising Executive, age 25 to 35 (Assistant to the Marketing Manager), with experience in advertising media, production and modern marketing methods, is required at the headquarters of Fisons, Ltd. The appointment will hold the prospect of an interesting career in a large and progressive company. An agricultural background an advantage but not essential. Salary commensurate with experience and qualifications but not less than £800 per annum. Apply in writing to Personnel Officer, Fisons, Ltd., Harvest House, Felixstowe, Suffolk.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 52-54, High Holborn, W.C.2.

IF YOU MUST TALK business at lunch, then quiet surroundings, good food and wines are essential.—Restaurant FRASCATI, Oxford Street, London, W.1. MUS. 7414.

OTHER NOTICES APPEAR ON PAGE iii OF COVER

The Bank Deutscher Laender also recently decided to permit the transfer to OEEC countries of current earnings and interest on capital invested in Germany by their nationals. This concession is being hailed in Germany as a modest step in the direction of convertibility for the D Mark, but it can perhaps more aptly be interpreted in the light of the Federal Republic's desire to attract more foreign capital. The movement of foreign capital into Germany has had to overcome many obstacles, not the least of which has been the uncertainty about whether—and how far—investors would be allowed to convert their dividends or profits at the official rates of exchange. The latest concession, it should be added, does no more than bring German Exchange Control practice into line with that followed by the British Exchange Control since its inception. As Germany, which had accumulated a credit of $270.6 million in the European Payments Union by the end of March, is now the largest creditor in intra-European trade, it is certainly making these modest advances to freedom from a position of strength.

Delivered Prices for Coal?

As long ago as 1949 the National Coal Board committed itself to a policy of delivered prices for coal, and two years ago it introduced "zone-delivered" prices for domestic consumers; but little has been heard yet of the similar system it promised industrial consumers. This week the board's Deputy Director-General of Marketing, Mr R. J. Moffat, expressed "some definite ideas" on delivered pricing to the Combustion Engineering Association. Mr Moffat emphasised that he was in no way committing the board, which had no scheme "nicely buttoned up" and was "still thinking" about the question. But his remarks deserve attention as the first public examination of the policy by one of the board's responsible advisers on the subject, much as other recent "thinking aloud" by members and high executives of the board on major issues of policy has been.

Under a delivered price system all consumers within a given area pay the same price for a given grade of coal, regardless of distance between them and the pit where the coal came from. A pithead price system—which the board still applies to most industrial and carbonisation consumers—is based upon actual costs at the pit, plus the cost of transporting the coal to the consumer who buys it. In the scheme already introduced for domestic consumers, a delivered price for a given grade of coal prevails in each of 60 zones in the country; and Mr Moffat pointed to this zoning in reply to critics who suggest that delivered pricing means "postalisation." He gave no hint of how many zones he would consider desirable for industrial coals, beyond admitting that "if a zone were too large, the averaging of transport costs would be oppressive on some consumers" and offering a singular comment that in some cases even one works or power station might be "an appropriate zone" for pricing. He said the transport element in zone-delivered costs would ordinarily be based upon the averaging of rail costs, with some adjustment to bring about "proper relativity" in the price of seaborne and roadborne coals. Mr Moffat stoutly maintained that "we are not minded . . . to work on marginal costs in the various coalfields"; but he felt that the National Coal Board must pay "more regard to the average costs of producing coal in the different coalfields—but not at individual pits—than we have done in the past."

Coal Grades and Transport Costs

SINCE nationalisation the Coal Board's marketing department has carried through an elaborate "scientific and commercial grading" of all the coals mined in Britain. The present pithead prices are based largely upon this grading, with coalfield adjustments to take some account of average production costs; but Mr Moffat's main criticism of them was that

> the relationship between price and quality which we have established at the pithead may well be distorted out of all recognition by the addition of transport charges.

The general level of delivered prices in each zone would be based upon "the costs of production and transport from the normally supplying coalfields," but the prices of particular coals would still be adjusted, in one way or another, to the quality grading.

This system, Mr Moffat suggested, would give a "proper price relativity" between different qualities of coal at the point of consumption. The board's problem is "to give consumers coal at a delivered cost which is as low as possible"; and if, "in the national interest," coal has to flow by different and more costly routes, "it does not seem right that the additional costs of transport involved should just fall on the particular consumers affected." He considered, incidentally, that a delivered pricing system would be "much facilitated" by a system of group railway rates from groups of collieries to zones, simplifying the present point-to-point rates—a suggestion that may or may not commend itself to those who are attempting to make railway charges more nearly correspond to costs.

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The difficulties inherent in delivered pricing of a commodity where transport costs may average perhaps a fifth of the pithead price have been demonstrated by the Coal Board's prolonged and tentative approach to it. The broad economic objections—that it would blur the advantages of industrial location both for the coal industry and its customers—are well known. It is not altogether easy to discover from Mr Moffat's remarks the positive advantages that the board believes can outweigh these disadvantages. To suggest that it consciously desires to plan its operations with some insulation from the real pattern of demand, as and where that is exerted, might be unfair. A more likely reason seems to be the feeling that, under nationalisation, commercial policy must be suited to "planned development of the industry in the public interest," as though the public interest in the supply of coal is somehow distinct from the public's demand for coal—at different places, of different grades, and at different prices.

The Comet Crash

THE disaster that overtook a Comet of the British Overseas Airways Corporation near Calcutta last week-end (exactly a year after the Comets had been put in scheduled service) will be the subject of an official inquiry and report, which it would be improper, even if it were possible, to anticipate. From the facts so far reported, it would appear that the Comet encountered a localised but exceptionally violent storm; how it was destroyed—whether by extraordinary turbulence at the storm's centre or by a lethal accumulation of static electricity or by other causes—has to be determined. Monsoon storms are a common feature of the Bengal weather at this time of year, and they seem to have broken last Saturday, three weeks overdue, with accumulated violence. Without doubt, the inquiry will examine the procedure for issuing storm warnings, and whether it is possible to differentiate between flying conditions that threaten to be unpleasant, and those that may be downright dangerous—a task that would be doubly difficult for meteorological services in less developed tropical areas.

The report on the crash must be left to determine whether the storm was the sole cause of the accident, or whether there was any feature in the aircraft that made it more vulnerable in such weather conditions. The fact that BOAC, with its exceptionally good safety record in recent years, has kept its Comets in service suggests confidence in them. In general, the fast climbing rate of the Comet is thought to give it an advantage over other airliners because it can get through a danger zone at a higher speed. The bigger and faster Comet II left the de Havilland factory four days after the accident to begin its tropical trials in Africa, and in doing so cut the earlier Comet's record flight from Hatfield to Cairo by more than half an hour, flying the 2,182 mile journey in 4½ hours.

More Grains of Freedom

RICE merchants will once again be able to import on their own account from the beginning of July; and the Ministry of Food is to give up trading in rice at the end of July, when price control will also be brought to an end. Since state trading in rice has been done through merchants, acting for the Ministry of Food, this reversion to private trading should take place smoothly. However, as merchants well know, they are in a different world from 1939; not only are the sums concerned in the trade much larger, but markets in the Far East have been vastly changed by wars and revolutions. In one of the biggest rice markets, Burma, where many of the former merchants were British, buyers have now to measure their bargaining strength against a state selling monopoly.

World hunger for rice continues, particularly Asiatic hunger, accentuated by the failure of production—dislocated by wars, hot and cold—to keep pace with population, which in the rice-eating countries has increased by 120 million since 1939. But the government does not expect consumption in this country to increase as a result of the decontrol that is to begin in July. Rice imports into Britain, mainly from Burma and Italy, are at the rate of about 1½ million hundredweight a year, equal to about 3 lb a head of the population per annum. Britain's total imports, in any case, are less than one per cent of total world exports; and any slight variation in British consumption can have only an infinitesimal effect on the world rice problem.

A Simpler Schilling

THE unification of the exchange rate of the Austrian schilling at 26 schillings to the dollar (or 72.8 schillings to the pound) is equivalent to a devaluation of about 18 per cent for commercial transactions. Hitherto Austrian exporters had been forced to sell their foreign exchange to the National Bank at the commercial rate of 21.36 schillings to the dollar, and were finding considerable difficulty in competing in the world market at this rate. One consequence of this difficulty was that Austria had run up a cumulative deficit of $115 million with EPU by the end of March. The new rate is the same as the former "premium" rate, which was applicable mainly to tourists and capital transfers. The International Monetary Fund will undoubtedly welcome this final simplification by a country that a few years ago was one of the worst offenders for "multiple currency practices." But the OEEC would be wise to suggest to member countries that they should in future make any necessary exchange adjustments at a single step, instead of in a series of discriminatory shuffles of this sort.

Textiles in the Spring

THE wholesale textile trade can look back on its first quarter's trading with some satisfaction. Sales in March were 8.6 per cent higher in value than those recorded in March, 1952, while stocks, which were a serious embarrassment throughout the textile slump, were 30.6 per cent lower. Since prices have fallen by perhaps 30 per cent there are probably as many goods on the wholesalers' shelves as there were a year ago—but there is much less capital tied up in them. The fall in prices also obscures the fact that the trade is far more active than a comparison of the value of sales this year, and in 1951 or 1952 would suggest. The sales index (1950=100) records that from a figure of 143 in March, 1951, home sales fell to 108 in March last year and rose to 117 in the same month this year. The volume of goods sold this year may well be higher than in either of the two preceding years.

Spring buying appears to have got under way in March. Clothing sales rose by one-third, compared with February, and the rise might have been higher if sales of piece-goods had shared in the general recovery. This lag in sales of piece-goods is a surprising fact in the textile trade. In March, 1951, the index of piece-goods sales was 138; twelve months later, when trade was generally slack, sales had fallen to 99, yet last March they were even lower at 90. Stocks have been markedly reduced from 135 in March, 1952, to 82 this year, but wholesalers and retailers must be wondering whether a permanent change in demand away from piece-goods towards made-up clothing is not taking place. Sales of piece-goods responded to the shortage and rationing of made-up clothing; but these conditions no longer exist and the range and quality of ready-made clothes are ever increasing. The textile manufacturers as a whole are not likely to take the decline in piece-goods sales too seriously, for wholesale sales were 5.5 per cent higher in the first quarter compared with the same period in 1952.

SHORTER NOTES

The Peninsular and Oriental Steam Navigation Company is to increase its authorised deferred ordinary capital to £15 million by the creation of £5,071,223 additional deferred stock units. The present authorised capital has recently been exhausted and the directors state that "it is felt to be a distinct disadvantage to have no unissued available should the need arise at short notice." However, they make it equally clear that "no issue of stock is contemplated at present nor are any plans in hand which might call for it."

The promise of an early end of sugar rationing has given impetus to the alliances now being negotiated by a number of British and American companies for sharper competition in the soft drink market. Schweppes, Limited, which recently made an arrangement with the Pepsi-Cola Company for the distribution of the British products in the United States (and later in Canada and Mexico) has now agreed to take over the existing Pepsi-Cola factory in Britain through a wholly-owned subsidiary, Park Bottling, and to bottle and distribute Pepsi-Cola throughout London and the south coast. Eventually Schweppes, from other factories and depots, will distribute this American soft drink throughout most of Britain. The arrangement may be compared with the arrangements to market Coca-Cola in Britain made by Watneys and the Beecham group, and a new arrangement between Charrington Brewery and the Canada Dry company.

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A committee has been appointed by the Board of Trade to consider future policy regarding censuses of production and distribution. The "full" census of production taken in 1948 has been followed by annual censuses on a more limited scale, providing continuous statistical series covering the main aspects of industry's activities; and a census of distribution and other services, the first ever taken in this country, was made for 1950.

Company Notes

DE HAVILLAND. By the tests of recent achievement and of future promise the British aircraft industry has made certain that its need for new money should receive a ready response in the capital market; and within the industry de Havilland, the home of the Comet, has very few rivals for pride of place. But the company's knock on the door of the capital market has come rather sooner than the market had expected. At the time of the rights issue of ordinary shares in June, 1951, the directors had declared that sub-contracting limited the group's need for additional capital equipment, and the market had therefore believed that de Havilland would be able to finance the expansion of its business by bank loans and by ploughed back profits. But the directors now estimate that in the next three or four years the group will need about £12 million to finance the further development and production of the Comet airliners and to meet in full the demands for other aircraft and equipment. Within the next two or three months de Havilland will therefore make a further issue of 1,200,000 5½ per cent £1 preference shares, together with 4,385,459 new £1 ordinary shares (by a rights issue on a one for one basis); the issue price of these new shares will be decided later in the light of prevailing market conditions. These issues should bring in well over half the sum of £12 million that the group needs; the remainder will come more from bank loans than from retained profits.

The de Havilland group is already leaning heavily on bank accommodation to finance its working capital commitments. In the year to September 30th last, the group's loans from the banks rose from £430,964 to £4,294,552. This was in line with an increase in the book value of stocks and work in progress (from £12,592,224 to £17,936,170) and of debtors (from £6,023,008 to £9,825,495); the rise in "customers' deposits with orders" (from £4,289,769 to £6,167,191) provided less than £2 million towards this need for over £9 million of new finance. Moreover, thanks partly to heavier charges for depreciation and interest on bank loans, net profits declined fractionally (from £639,290 to £597,108) last year. But in his report accompanying the full accounts Mr F. T. Hearle prepares the way for the new issues by giving a temperate but quietly confident assessment of the group's past record and future prospects. It is now clear why the directors failed to do anything more than to maintain the ordinary dividend at 7½ per cent; there should be no real difficulty in maintaining, though there may be in increasing, this rate after the new issue of shares. This, at any rate seems to be the assumption in the market, where the £1 ordinary stock units were marked down by 1s. 9d. to 28s. xd. when the news of the forthcoming issues had been digested.

	Years to Sept. 30, 1951	1952
Consolidated earnings :—	£	£
Trading profit	2,297,293	2,332,320
Total income	2,892,348	2,901,543
Depreciation	548,515	683,487
Taxation	1,117,170	1,074,018
Net profit	*639,290*	*597,108*
Ordinary dividends	124,112	172,677
Ordinary dividends (per cent)	7½	7½
Retained by subsidiaries	324,019	282,179
General reserve	200,000	250,000
Added to carry forward	29,921	93,228
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	2,059,279	2,885,613
Net current assets	7,111,529	7,105,546
Stocks	12,592,224	17,936,170
Cash	484,951	477,566
Bank loans	430,964	4,294,552
Customers' deposits with orders	4,289,769	6,167,191
Reserves	3,810,742	5,937,900
Ordinary capital	4,385,459	4,385,459

£1 ordinary stock at 28s. xd. yields £5 7s. per cent.

BRUSH ABOE GROUP. In their clear and informative set of accounts the directors of the Brush Aboe Group have put the best face they could on a story of difficulties and misfortune. The group's net profits fell from just under £544,000 to just under £137,000 last year. The biggest setback, discussed in these columns on March 28th, was the loss of £504,000 on Indian tube well contracts. The group took the unusual step of venturing into this field of civil engineering in the hope that it would lead to orders for its main products, diesel engines and equipment. These hopes are apparently not yet dead, for the group has now entered into new contracts for tube wells—though on much more favourable terms than those of the initial agreements. But the task of securing and consolidating foreign markets for diesel engines and equipment is no longer an easy one. Last year, many of the group's "more important markets, including India, Malaya, Australia and Brazil drastically curtailed their orders" and as yet the group has not "fully recovered the ground lost." It seems to be particularly in these soft currency markets that the group is bumping its head into the familiar problem that foreign exporters are able to offer longer credit terms to their customers than British manufacturers can.

This recession in its export trade has inevitably added to the group's financial difficulties, which, in any case, were already serious enough. Unable to raise fresh capital in the market—which has been made an even more remote possibility by the passing of the final equity dividend—the group has had to rely on its own resources and on bank loans to finance the increase in unsold stocks of finished goods, or rather of stocks whose shipment was held up by import or currency restrictions. Last year the group borrowed about £2½ million more from the banks, bringing its total indebtedness to about £8 million (including bankers' advances against acceptances); about £500,000 of this £2½ million was spent on fixed assets, another £750,000 on reducing trade and taxation liabilities, another £700,000 in financing

trade debtors and transactions of associated companies and the remaining £550,000 in financing bigger stocks. The penalties of rapid expansion—indeed it may well have been far too rapid—can hardly ever have been so clearly delineated. But at the present depressed price for the 5s. ordinary stocks, Brush's 10,200 shareholders would still seem best advised to sit tight—and hope.

	Years to Dec. 31, 1951	1952
Consolidated earnings :—	£	£
Sales	24,148,594	23,341,883
Trading profit	2,631,331	2,456,585
Total income	2,641,450	2,475,247
Depreciation	615,312	728,546
Taxation	1,079,072	748,853
Net profit	*543,997*	**136,999*
Ordinary dividends	126,000	50,400
Ordinary dividends (per cent)	10	4
General reserve	200,000	...
Added to group carry forward	188,778	33,893
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	6,515,915	6,938,229
Net current assets†	678,284	*Dr175,269*
Stocks	9,491,104	10,049,609
Cash	172,812	172,449
Bank loans	4,578,901	6,356,214
Reserves	2,741,763	2,394,669
Ordinary capital	2,400,000	2,400,000

5s. ordinary stock at 3s. 9d. yields £5 7s. per cent.

* After deducting loss on tube well contracts of £504,170, less a tax relief on these losses of £195,200. † After including bank loans in the total of current liabilities and provisions.

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MONSANTO CHEMICALS. Like the report of Brush Aboe, the 1952 accounts of Monsanto Chemicals are overshadowed by the clouds of trading difficulties, lower profits and smaller dividends. But the 4,025 ordinary stockholders in Monsanto Chemicals may perhaps have a little more trust in silver linings in these clouds than the shareholders in Brush. As was noted in these columns on April 11th, Monsanto's profit margins were squeezed in 1952 between a further rise in costs and a fall in selling prices (forced on the company by more intensive competition, especially in overseas markets). Moreover, the minor recession in Britain's consumer goods trades, particularly in the textile and plastics industries, quite seriously disrupted production at the group's works in the middle of last year. But in spite of all these difficulties, the value of the group's sales (at £9,957,827) was only 3 per cent lower than the 1951 figure—and the actual tonnage of goods sold increased by as much as 10 per cent. Of even greater significance, exports in 1952 represented 39 per cent of total sales, compared with 33 per cent in 1951. By the end of the year the group's activities appear to have been well adjusted to the new conditions of a buyers' market. For example, after all adjustments for changes in price, the book value of stocks (at £3,202,398) was about £600,000 lower than at the end of 1951; and, following the receipt of £1,500,000 from the issue of the 5 per cent loan stock, the group had ample cash balances to meet its immediate capital commitments, which are estimated at £715,000.

	Years to Dec. 31, 1951	1952
Consolidated earnings :—	£	£
Trading profit	2,889,330	1,476,400
Total income	2,892,987	1,548,350
Depreciation	406,307	546,734
Taxation	1,483,595	543,592
Net profit	*911,929*	*261,785*
Ordinary dividends paid	318,937	259,875
Ordinary dividends (per cent)	22½	18½
Added to group carry forward	532,272	*Dr 1,651*
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation*	6,510,322	7,157,406
Net current assets	3,022,167	3,399,422
Stocks	3,814,442	3,202,398
Cash	658,328	1,464,420
Reserves	2,121,424	2,136,011
Ordinary capital	2,700,000	2,700,000

5s. ordinary stock at 20s. 6d. yields £4 9s. per cent.

* Including capital works in progress, etc. (1951: £861,505; 1952: £931,200).

In fact, Monsanto's directors have budgeted for an increase in sales and productive capacity this year, including the introduction of some new products. The chairman, Mr Edward O'Neal, does not minimise the dangers of expansion in present conditions. He believes that costs in this country will continue to rise, while competition will become even keener; and he sees no sign of immediate relief from the restrictions placed upon imports into Britain's traditional export markets, for there is every indication that the trend towards local manufacture will become more pronounced. But, in spite of all this, he looks forward to an improvement in trading results in the current year. If profits do improve, the directors are not likely to be slow in restoring the ordinary dividend to the old rate of 22½ per cent.

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RUGBY PORTLAND CEMENT. The only discouraging feature of the full accounts of Rugby Portland Cement is that a bigger bill for taxation has prevented the directors from doing anything more than to maintain the ordinary dividend at 20 per cent. As the group has been continually growing this means that the rate of return on the capital employed in the business has been becoming smaller over the last three years; it was 4.54 per cent in 1952, compared with 5.04 per cent in 1951 and 5.33 per cent in 1950. In line with yet another increase in production and deliveries, the group's trading profits have risen by £133,966 to £655,974 but, after an increase in the provision for taxation (from £250,000 to £357,000), net profits have risen by a mere £9,875 to £177,117.

	Years to Dec. 31, 1951	1952
Consolidated earnings :—	£	£
Trading profit	522,008	655,974
Total income	541,356	675,752
Depreciation	124,114	141,635
Taxation	250,000	357,000
Net profit	*167,242*	*177,117*
Ordinary dividends*	52,500	55,000
Ordinary dividends (per cent)*	20	20
Added to group carry forward	94,004	101,379
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	2,285,075	2,465,617
Net current assets	491,208	1,167,689
Stocks	411,174	431,915
Cash	769,296	710,778
Reserves	1,484,616	1,701,639
Ordinary capital	500,000	500,000

5s. ordinary stock at 27s. 0d. yields £5 8s. per cent.

* Excluding tax free special distribution of 5 per cent from capital reserves.

Last year's increase in sales took place both at home and abroad. The first stages of the development of the new plant in Trinidad, which should be in production by the middle of next year, have been completed; and work will soon start on the building of a new factory in Western Australia, which is expected to come into production in 1955. It was to finance these overseas developments that the company made the £1 million issue of a 4½ per cent loan stock last year. Much of this new money has apparently already been spent, for in the consolidated balance sheet the gross book value of fixed assets has risen from £3,271,713 to £3,591,030 while investments in the share capital of subsidiary companies have risen from £33,333 to £393,333 (of which £360,000 relates to the Western Australian company). The costs of these plants both at home and overseas are very heavy, and in Mr Halford Reddish's words, domestic profit margins, though they have recently improved, are "still insufficient to support in isolation the building of new works." Shareholders' hopes for an increase in equity payments may therefore hinge very largely on the success of the group's overseas ventures (as well as on the coming cessation of EPL); but since most overseas countries will almost certainly seek to counter any depression by an increase in domestic construction activity, the present yield of 5¾ per cent—calculated on the assumption that the 5 per cent tax free bonus will again be paid with a 20 per cent dividend—seems not unreasonable.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Apr. 29, 1953	Price, May 6, 1953	Net Yield, May 6, 1953	Gross Yield, May 6, 1953
War Bonds 2½% '52-54	99⅞	99⅞	£ s. d. 1 5 5	£ s. d. 2 13 0†
Exchequer 2½% 1955	99 29/32	99½	1 10 10	2 13 9
Exchequer 3% 1960	100	100	1 13 11	3 1 9
Ser. Funding 1½% '53	99 31/32	99 31/32	1 15 4	2 10 7
Ser. Funding 1½% '54	98⅝	98⅝	1 17 10	2 13 6
Ser. Funding 3% '55	100 3/32	100 3/32	1 8 4	2 15 0
War Bonds 2½% '54-56	99 3/32	99 1/32	1 8 11	2 13 1†
Funding 2½% '52-57	99½	99 11/32	1 8 9	2 16 0†
Nat. Def. 3% '54-58	101 1/32	101 1/32	1 10 4	2 18 11†
War Loan 3½% '55-59	100 3/32	100 5/32	1 12 6	2 19 9
Savings 3% '55-65	95⅛	95⅛	2 2 3	3 10 9
Funding 2½% '56-61	96⅛	96 3/32	1 18 2	3 1 4
Funding 3½% '59-69	90¼	90 3/32	2 7 10	3 16 8
Funding 3½% '66-68	92 7/32	92¼	2 5 10	3 14 10†
Funding 4% '60-90	98⅜	98 11/32	2 7 5 / 2 4 11	4 3 9e / 4 1 2†
Savings 3% '60-70	89⅛	89 3/32	2 9 0	3 18 5†
Savings 2½% '64-67	87⅛	87 1/32	2 8 5	3 12 8†
Victory 4% '20-76	101⅛	101 11/32	2 1 8	3 18 0e
Savings 3% '65-75	86⅛	86 3/32	2 9 0	3 19 0†
Consols 4% (aft. 1957)	89 11/32	89 11/32	2 9 3	4 10 0†
Convs. 3½% (aft. 1961)	81	81 1/32	2 7 7	4 6 9†
Treas. 2½% (aft. 1975)	59⅜	59⅜	2 6 2	4 4 0†
Treas. 3% (aft. 1966)	70	70	2 7 3	4 6 1†
Treas. 3½% '77-80	91 11/32	91 11/32	2 7 8	4 2 0†
Redemption 3% '86-96	81	80⅞	2 7 7	3 19 2†
War Loan 3½% aft. 1952	80 3/32	80 1/32	2 7 11	4 7 0†
Consols 2½%	60⅛	60 3/32	2 5 9	4 3 5†
Br. Elec. 3% '68-73	87⅜	87 3/32	2 9 1	3 18 7†
Br. Elec. 3% '74-77	86⅛	86 11/32	2 8 8	3 18 7†
Br. Elec. 4½% '74-79	100⅛	100⅜ / 100⅛	2 6 7 / 2 6 8	4 5 2e / 4 5 2†
Br. Elec. 4½% 'A' '74-79	99⅜	99 11/32 / 99⅛	2 6 10 / 2 6 10	4 4 11e / 4 4 11†
Br. Elec. 3½% '76-79	91 3/32	91 5/32	2 7 2	4 0 6†
Br. Trans. 3% '78-88	81 11/32	81⅜	2 9 5	4 1 1†
Br. Trans. 3% '68-73	87⅜	87 1/32	2 9 1	3 18 7†
Br. Trans. 4% '72-77	98 7/32	98 11/32	2 7 3	4 4 10e
Br. Gas 3% '90-95	80 3/32	80⅛	2 8 0	3 19 6†
Br. Gas 3½% '69-71	94 7/32	94 5/32	2 6 5	3 19 5†
Br. I. & S. 3½% '79-81	91 7/32	91⅜	2 7 5	4 1 5†

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, Apr. 29, 1953	Price, May 6, 1953	Yield, May 6, 1953
%	%					£ s. d.
20	*a*	40 *b*	Anglo-Am. 10/-	5⅜	5⅜	5 3 3
25	*b*	5 *a*	Anglo-Iran. £1	5⅞	6¼	4 17 11
7½	*a*	12½ *b*	Assoc. Elec. £1	80/-	80/-	5 0 0
7½	*a*	22½ *b*	Assoc. P. Cem. £1	111/10½	112/6	5 6 8
10	*a*	33 *b*	Bass £1	120/-	120/-	7 3 4
10	*a*	10 *b*	Boots 5/-	19/6	19/3	5 3 11
3	*a*	7 *b*	Brad. Dyers £1	25/6	25/6	7 16 10
4½	*a*	6½ *b*	Br. Celanese 10/-	22/6	22/6	4 17 9
17½		4 *a*	Br. Motor Cp. 5/-	6/4½*	6/3	8 6 5g
6	*a*	9 *b*	Br. Oxygen £1	53/6	53/3	5 12 8
3	*a*	3 *b*	Can. Pac. $25	$48	$49½	5 8 1
7½	*b*	5 *a*	Coats £1	45/-	45/-	5 11 1
6½	*b*	5 *a*	Courtaulds £1	38/3	38/6	5 16 11
16	*c*	2½ *a*	Cunard £1	40/6	38/-*	8 5 5
15	*b*	7½ *a*	Distillers 4/-	16/6	16/9	5 7 6
17½	*c*	17½ *c*	Dunlop £1	46/10½	46/3	7 11 4
15	*c*	15 *c*	Ford £1	55/7½*	55/7½	5 7 10
15	*b*	3½ *a*	Gen. Elect. £1	42/6	41/3	5 9 1p
10	*b*	5 *a*	Guest Keen £1	50/-	50/-	6 0 0
7	*a*	10 *b*	Guinness 10/-	29/6	29/6	5 15 3
41	*a*	5 *b*	Hawker Sid. £1	38/9	38/3	5 4 7
5	*a*	8 *b*	Imp. Chem. £1	45/-	44/-*	5 18 2
13½	*a*	11⅛ *b*	Imp. Tobacco £1	52/9	51/3	7 16 1o
$2·6	*c*	$1 *a*	Int. Nick. n.p.	$70⅜	$72⅜	6 8 5
17½	*c*	17½ *c*	J'burg Con. £1	59/4½	58/9	5 19 2
5	*a*	10 *b*	Lancs. Cotton £1	41/9	42/-	6 19 6
7½	*a*	10 *b*	Lon. Brick £1	66/3	62/6	5 12 0
65	*b*	15 *a*	Marks & Sp. A 5/-	55/9	55/-	3 12 9m
6⅞	*a*	11⅛ *b*	Monsanto 5/-	20/6	20/6	4 9 5
6	*a*	14 *b*	P. & O. Def. £1	56/-*	54/6	5 6 9
17½	*b*	7½ *a*	P. Johnson 10/-	30/6	31/-	8 1 3
†100	*c*	†105 *c*	Prudentl. 'A' £1	37½*	36⅝	5 4 5
17½	*b*	50 *a*	Rhokana £1	16⅛	16⅞	13 6 8
10	*b*	5 *a*	Rolls Royce £1	61/3	61/10½	4 17 0
†10	*b*	†5 *a*	"Shell" Stk. £1	81/3	84/4½	5 3 4f
13½	*a*	11½ *b*	Tube Invest. £1	60/-	59/6	5 0 10f
5	*a*	20 *b*	Tur. Newall £1	51/9	51/3	4 16 8m
8½	*b*	5 *a*	Unilever £1	49/3	49/3	5 9 8
12½	*c*	17½ *c*	Union Castle £1	23/-	21/6*	6 19 6
5	*a*	5 *b*	Union Disc. £1	46/-	43/-	4 13 0
†4½	*a*	†6⅜ *b*	Utd. Molass. 10/-	28/9	27/9	7 4 6q
7½	*a*	12½ *b*	U. Sua Betong £1	36/3	36/10½	10 17 0
2½	*a*	12½ *b*	Vickers £1	47/3*	47/-	6 7 8
15	*a*	40 *b*	Woolworth 5/-	53/-	53/-	5 3 9

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*f*) Yield basis 21·8% gross. (*g*) Div. 17½% for 4 months. Yield basis 10½%. (*q*) Yield basis 15%. (*s*) On doubled capital. (*m*) Yield basis 12½%. (*n*) Yield basis 40%. (*o*) Yield basis 20%. (*p*) Yield basis 11½%. (*q*) Yield basis 20·06% gross. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 2, 1953, total ordinary revenue was £92,954,000, against ordinary expenditure of £70,427,000 and issues to sinking funds £700,000. Thus, including sinking fund allocations of £1,547,000 the deficit accrued since April 1, 1953, was £26,576,000 compared with a deficit of £47,116,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54	April 1, 1952 to May 3, 1952	April 1, 1953 to May 2, 1953	Week ended May 3, 1952	Week ended May 2, 1953
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
Ord. Revenue					
Income Tax	1782,250	127,800	128,534	27,522	23,277
Sur-tax	127,000	10,100	9,800	1,200	1,600
Death Duties	160,000	13,100	19,000	2,200	3,300
Stamps	52,000	5,100	5,300	1,500	1,300
Profits Tax & EPT	214,000	27,000	15,300	3,900	2,500
Excess Profits Levy	99,500	...	2,900	...	300
Special Contribution and other Inland Revenue	1,000	240	110	70	...
Total Inland Rev.	2435,750	183,340	180,944	36,392	32,277
Customs	1044,300	94,958	94,171	20,829	21,424
Excise	680,480	66,475	53,430	44,935	37,240
Total Customs and Excise	1724,780	161,433	147,601	65,764	58,664
Motor Duties	69,000	4,897	4,080	1,370	799
PO (Net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	1,000	1,000	1,000	1,000
Sundry Loans	25,000	55	54	...	...
Miscell.	95,000	10,443	11,915	190	214
Total Ord. Revenue	4368,215	361,168	345,595	104716	92,954
SELF-BALANCING					
Post Office	224,615	16,300	14,900	3,900	3,500
Income Tax on EPT Refunds	3,300	606	288	86	...
Total	4596,130	378,074	360,783	108702	96,454
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	75,589	74,747	19,611	18,863
Payments to N. Ireland	48,000	2,721	2,938	...	...
Other Cons. Funds	10,000	628	567	73	43
Total	673,000	78,937	78,252	19,684	18,906
Supply Services	3586,286	327,286	292,371	56,510	51,521
Total Ord. Expend.	4259,286	406,223	370,623	76,194	70,427
Sinking Funds	...	2,061	1,547	730	700
Total (excl. Self-Balancing Expd.)	4259,286	408,284	372,171	76,924	71,127
SELF-BALANCING					
Post Office	224,615	16,300	14,900	3,900	3,500
Income Tax on EPT Refunds	3,300	606	288	86	...
Total	4487,201	425,190	387,359	80,910	74,627

After decreasing Exchequer balances by £142,982 to £3,227,906, the other operations for the week decreased the National Debt by £32,579,577 to £26,104 million.

NET RECEIPTS (£ THOUSAND)

Tithe Act, 1936, s. 26	480
Cinematograph Film Production (Special Loans) Act, 1949, s. 8(1)	98
Miscellaneous Financial Provisions Acts, 1946 & 1950 and Civil Contingencies Fund Act, 1952	20,000
	20,578

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1952	800
Housing (Scotland) Act 1950, s. 94(2)	1,030
Local Authorities Loans Act, 1945, s. 3(1)	7,800
Finance Acts, 1946 and 1947: Postwar Credits	339
	9,969

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Nat. Savings Certs.	1,800	Treasury Bills	15,947
3½% Def. Bonds	1,670	2½% Def. Bonds	870
Tax Reserve Certs.	16,560	3% Def. Bonds	1,816
		2½% Nat. War Bonds 1951–53	50
		3% Term. Annuities	1,475
		Other debt	
		Internal	768
		External	78
		Ways and Means Advances	31,605
	20.030		52,609

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
May 3	2,560·0	1,537·3	311·4	...	...	4,408·7
1953						
Jan. 31	2,940·0	1,494·2	250·6	...	...	4,684·8
Feb. 7	2,910·0	1,414·1	245·0	...	...	4,569·1
,, 14	2,890·0	1,416·1	235·1	...	...	4,541·2
,, 21	2,870·0	1,441·5	270·8	1·8	...	4,584·1
,, 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
,, 14	2,820·0	1,540·5	275·1	...	...	4,635·6
,, 21	2,810·0	1,569·5	332·2	...	...	4,711·7
,, 31	4,406·6		303·5	3·8	...	4,713·9
April 11	2,880·0	1,585·3	243·7	...	...	4,709·0
,, 18	2,950·0	1,542·3	298·6	...	...	4,791·0
,, 25	2,990·0	1,514·8	288·2	...	...	4,793·0
May 2	3,010·0	1,478·8	256·6	...	...	4,745·4

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1952					
May 2	200·0	326·8	200·0	46 11·03	35
1953					
Jan. 30	190·0	306·3	190·0	47 11·05	37
Feb. 6	220·0	315·8	220·0	48 3·19	51
,, 13	220·0	297·2	220·0	48 7·78	62
,, 20	230·0	321·7	230·0	48 7·90	56
,, 27	230·0	314·4	230·0	48 0·25	66
Mar. 6	240·0	326·9	240·0	48 0·25	65
,, 13	250·0	256·4	250·0	47 11·74	67
,, 20	260·0	351·0	260·0	47 11·78	63
,, 27	250·0	334·6	250·0	48 0·20	67
Apr. 2	230·0	322·8	230·0	48 3·93	60
,, 10	250·0	357·6	250·0	48 4·20	62
,, 17	230·0	360·8	230·0	48 3·51	45
,, 24	210·0	330·3	210·0	47 8·04	58
May 1	210·0	351·1	210·0	47 7·37	34

On May 1st applications for 91 day bills to be paid from May 4 to May 9, 1953, were accepted dated Tuesday to Saturday as to about 34 per cent at £99 8s. 1d. and applications at higher prices were accepted in full. Applications dated Monday were accepted at £99 8s. 0d. and above in full. Treasury Bills to a maximum of £240 million were offered on May 8th. For the week ended May 9th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals, 4 weeks ended: April 26, 1952	April 25, 1953	Week ended April 25, 1953
SAVINGS CERTIFICATES			
Receipts	9,050	15,000	3,500
Repayments	11,700	10,200	2,900
Net Savings	*Dr 2,650*	4,800	600
DEFENCE BONDS			
Receipts	3,385	6,675	1,645
Repayments	5,645	7,710	1,805
Net Savings	*Dr 2,260*	*Dr 1,035*	*Dr 160*
PO AND TRUSTEE SAVINGS BANKS			
Receipts	55,625	59,143	14,132
Repayments	56,949	62,790	17,035
Net Savings	*Dr 1,324*	*Dr 3,647*	*Dr 2,903*
Total Net Savings	*Dr 6,234*	118	*Dr 2,463*
Interest on certs. repaid	3,159	2,958	841
Interest accrued	9,834	9,912	2,487
Change in total invested	+ 441	+ 7,072	— 817

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

MAY 6, 1953

	£		£
NOTES ISSUED:—			
In Circulation	1516,511,017	Govt. Debt	11,015,100
In Banking Department	33,845,806	Other Govt. Securities	1535,696,770
		Other Securities	774,022
		Coin (other than gold)	2,514,108
		Amount of Fid. Issue	1550,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1550,356,823		1550,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	321,509,439
Rest	3,308,309	Other Securities	48,886,259
Public Depts.	53,877,165	*Discounts and Advances*	*13,171,200*
*Public Accts.**	*14,424,584*	*Securities*	*85,715,959*
H.M. Treas. Special Acct.	*39,452,581*		
Other Depts.	334,323,186		
Bankers	*268,993,372*	Notes	33,845,806
Other Accts.	*65,329,814*	Coin	1,820,156
	406,061,660		406,061,660

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	May 7	April 22	April 29	May 6
ISSUE DEPT. :—				
Notes in circulation	1,409·4	1,511·1	1,514·0	1,516·5
Notes in banking department	40·9	39·3	36·3	33·8
Government debt and securities*	1,446·8	1,546·8	1,546·8	1,546·7
Other securities	0·7	0·7	0·7	0·8
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT. :—				
Deposits :—				
Public Accounts	10·1	11·1	13·8	14·4
Treas. Special Acct.	0·5	39·5	39·5	39·5
Bankers	266·4	273·5	261·8	269·0
Others	73·0	72·7	73·8	65·3
Total	350·0	396·8	388·9	388·2
Securities :—				
Government	273·4	351·2	329·3	321·5
Discounts, etc.	14·1	9·1	13·8	13·2
Other	38·0	13·1	25·5	35·7
Total	325·5	373·4	368·6	370·4
Banking dept. reserve	42·4	40·1	38·2	35·7
	%	%	%	%
"Proportion"	12·1	10·3	9·8	9·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,500 million to £1,550 million on March 25, 1953.

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

	May 6, 1952	April 21, 1953	May 4, 1953
Cereals and meat	183·2	203·2†	202·9
Other foods	189·8	198·4	198·2
Textiles	226·9	216·3	218·6
Minerals	384·6	340·4	341·4
Miscellaneous	191·8	185·4	181·6
Complete Index	**223·3**	**220·9†**	**220·3**
1913–100	*307·2*	*304·2†*	*303·2*

† Revised.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1953	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Apr. 30	74·0	85·25	161 14	86 12
May 1	74·0	85·25	160 2	86 8
,, 2	Markets closed		157 3	85 14
,, 4	74·0	85·25	159 4	86 6
,, 5	74·0	85·25	161 15	86 11
,, 6	74·0	85·25	163 15	87 4

COMPANY MEETINGS

CANADIAN PACIFIC RAILWAY COMPANY

GOLDEN AGE OF CANADIAN COMMERCE

TREMENDOUS ADVANCE IN PRODUCTIVE CAPACITY

CORRESPONDING GROWTH OF RAILWAY TRAFFIC

CAPITAL PROGRAMME TO PROVIDE NEEDED TRANSPORT

MR W. A. MATHER'S ADDRESS

The seventy-second annual general meeting of the Canadian Pacific Railway Company was held on May 6th at Montreal, Mr George A. Walker, QC, chairman of the company, presiding.

Mr W. A. Mather, the president, addressing the meeting said: Today the event foremost in our minds is the forthcoming Coronation of Her Majesty Queen Elizabeth. On this occasion of supreme importance all who are associated with your company recall with profound gratitude the devoted service to the British Commonwealth already rendered by Her Majesty and desire to convey most respectfully to their Sovereign a reassurance of their continued loyalty and affection to Her Majesty's Throne and Person.

DYNAMIC GROWTH SINCE 1945

It is perhaps significant that this historic and happy ceremony should coincide with what by all standards appears to be a golden age of commerce for Canada. The spirit of progress and adventure which now grips the imagination of Canadians appears to differ but little from that which characterised the outlook of the people of England in the period known as the Elizabethan age. The dynamic growth of Canadian enterprise in the years since 1945 would, of course, not have taken place but for the confidence of the many investors whose savings have provided the capital necessary to put to practical use our extensive natural resources.

The fact that in each of the last eight years savings invested in new productive facilities have exceeded the preceding year is a clear manifestation of public confidence in the ability of private enterprise to develop the rich natural resources of this country. Impressive is the capital investment programme for the present year, an official estimate of which indicates outlays of the order of $5,421 million, or some 23 per cent of the anticipated national output.

CAPITAL INVESTMENT PROGRAMME

The capital investment programme of your company designed to meet the need for transport facilities adequate to serve this growing productive capacity is an indication of our confidence in the future and of the extent to which we participate in giving new shape, depth and perspective to the national economy. Almost daily we read of the progress being made throughout Canada; in British Columbia there are the new hydro-electric undertakings and the vast Kitimat aluminium project, in Alberta are the substantial petroleum and petro chemical developments, in Saskatchewan the oil and uranium discoveries, in Quebec and Labrador the iron ore and titanium developments and in New Brunswick there are the recent discoveries of new mineral resources.

Against such a background, the prosperous growth of agriculture and the forest industries, together with the expansion in manufacturing, provide a far greater measure of diversity and stability to the Canadian economy than at any time in the past. These are but some of the outstanding factors which have been responsible for the tremendous increases in productive output. Their significance for the well-being of the national economy is reflected in the fact that the real income of Canadians has increased by more than 50 per cent between 1939 and 1953. Happily, the prosperity of the industrial worker is being shared by agriculture, as is indicated by the increase in farm cash income, which in Saskatchewan, for example, in the period between 1939 and 1952 more than quadrupled.

TWO IMPORTANT FACTORS

The Minister of Finance in his last Budget speech referred to certain factors which constantly affect in one way or another the level of economic activity in Canada. Prudence indicates I believe the importance, especially in a basic industry such as transportation, of keeping at least two of these factors constantly in mind. They are first the investment in new capital goods and second the foreign demand for the products of this country. They are closely related and both have an important bearing upon economic welfare. The Minister at the same time pointed out that the total of salaries and wages earned by Canadian workers during 1952 rose by 12 per cent, an increase which is considerably larger than the rise in gross national output.

His qualifying phrase would seem to constitute a clear warning that the foundations of prosperity and expansion might be quickly undermined should people persist in anticipating the benefits the economy is capable of bestowing by reaching for them before they have been earned. For should demands upon the economy in terms not only of wages and salaries but also in terms of those services, which it has become fashionable to assume are the responsibility of government, outstrip the growth in productive capacity there would undoubtedly be a revival of inflationary pressures. If that should take place the competitive position of Canadian exports, so important to the prosperity of the people, would be seriously prejudiced in the markets of the world.

CHANGE IN POPULATION TRENDS

Dependence upon export markets is happily somewhat less marked than was the case in the thirties because of the notable change in population trends since the end of World War II. During the last few years the number of immigrants entering Canada greatly outnumber the individuals leaving for the United States. This change in long term trend indicates a growing confidence in the opportunity for the individual initiative afforded by the expanding economy of today. This expansion is creating a new railway problem, a problem of major importance both to the railways and to the nation. Early railway construction was in large part to link together our sparsely settled and widely separated territories.

The railways were built far in advance of traffic needs. They opened up new territory and were dependent upon immigration and the development of large unsettled areas for their traffic. In some areas traffic was slow to develop and therein was the root of many of the railway problems of earlier years. Now railway capacity has in large measure been used up. In fact many facilities are being severely taxed and an increase in capacity is required. In essence the problem now is for the railways to keep pace with Canada.

GROWTH IN RAILWAY TRAFFIC

Looking back over the years it is interesting to note that the growth in national output, what economists call gross national product, has in the long term been matched by a corresponding growth in railway traffic. The increasing service required of the railways is revealed by the growth in the volume of freight transportation per capita. In the early years of the century when there were but 6 million people in this country freight service rendered by the railways was equivalent to the transportation of 2,000 tons of freight a distance of one mile for each man, woman and child. Today the railways serving a population of nearly 15 million are hauling the equivalent of 4,000 tons of freight a distance of one mile for each individual. Thus in this interval the volume of freight service has not only kept pace with the gain in population but in addition has increased two fold per capita, despite the competition which has arisen from other forms of transportation. In the United States, where such competition is much more intensive, there has been a similar long-term increase in railway traffic per capita.

The increase in freight traffic in recent years has indeed been striking. In 1952 Canadian Pacific handled 29 billion revenue ton miles of freight, a volume greater than ever before. This was an increase of 8 per cent over 1951, of 6 per cent over the war-time peak of 1944 and of 60 per cent over the interwar peak of 1928. While the volume of traffic has increased the man hours to handle it have decreased. In 1928 there was an average of 3 man hours of labour per thousand gross ton miles as compared with 2 hours in 1952, a decrease of one-third. The number of cars and locomotives required has also decreased. The alltime peak load of traffic carried in 1952 was handled with 12,700 fewer cars and 360 fewer locomotives of greater capacity than were available for the much smaller volume of traffic in 1928.

GAINS IN EFFICIENCY

Operating statistics point up many of the gains in efficiency that have been made. The

tonnage per car-mile rose from 27.9 tons in 1928 to 33.2 tons in 1952. During the same period the average daily mileage made by all freight cars increased from 34.9 miles to 48.4 miles. Locomotive and train performance has shown quite marked improvement. Measured in gross ton miles per freight train hour, the work performed in 1952 was 50 per cent greater than in 1928. Not all of the progress shows up in statistical averages however. Improved services to shippers such, for example, as a scheduled transcontinental freight service providing fourth morning delivery from Toronto to Calgary and fifth morning delivery from Toronto to Vancouver which commenced March 3rd for this year have been introduced.

This progress has been possible because your railway, so far as its financial ability permitted, has adopted the latest technological improvements available. In so doing your company has made very substantial capital expenditures. Since the end of World War II over $345 million has been thus spent. As your directors state in their report which is now before you it is estimated that further outlays of $475 million will be required during the next five years. This programme will insure the necessary additions and improvements for your railway to keep pace with the demands upon it. The problem which this programme presents is of a financial nature. To quote again from the report "it is essential that investors should have confidence in the future of your railway. The return of 2½ per cent earned on railway investment in 1952 and the low returns in each of the postwar years do little to create such confidence." To obtain the new capital necessary your railway must offer the investor a fair prospect of getting a reasonable return on his investment. In my opinion this can be done only if the railways are given reasonable managerial freedom in the pricing of their services.

RAILWAY FREIGHT RATES

The present freight rate structure has evolved from one originally designed to serve a very different economy from that of today. The historic pattern established at a time when railways were the only effective means of overland transportation was intended to encourage the opening up of new land areas and to develop the commerce of a young nation. It is, therefore, understandable that a dominant consideration should have been to insure that the products of the farm, the forest and the mine would be moved to the market place at minimum rates. It is not surprising, in view of the fact that competition was a relatively insignificant factor in those days, that supervision and control of railway freight rates by Public Authority should then have been so important an element in the transportation policy of the nation.

The practical application of this early policy found expression in what is known as the value of service principle. Relatively low rates were granted for low valued and raw commodities, higher rates governed the movement of processed commodities, and those of high value when first established. The low rates for low value primary products covered the direct costs of rail haulage and made a relatively small contribution towards overhead. Rates on processed goods and high value commodities, while intended to offset the relatively low return on unprocessed and low value products, were nevertheless not so high as to prevent or discourage their movement.

GROWTH OF COMPETITION

Such in essence were the historic considerations which shaped the freight rate structure for many years. No circumstances of sufficient magnitude arose to justify re-examination of the underlying principles governing that structure. It met the transportation needs of producer and consumer alike, and at the same time served the financial requirements of the railways. Today, however, the situation is vastly different from that which hitherto has prevailed. No longer are railways the exclusive means of transportation for the high value traffic upon which they relied to offset the marginal revenues derived from the haulage of primary commodities. The growth of other modes of transportation has rendered high value traffic vulnerable to competition. Highway trucking, of course, offers the major competition confronting the railways. No one would wish to deny that the trucking industry has an important place in the economy. The relative flexibility of operation and the initiative and enterprise of that industry have combined to develop new trade and traffic, which, in part, might not otherwise have come into existence.

Truck competition has, however, become more intensive because, unlike railways, the trucking industry is not required by law to carry all types of traffic at published scales of rates, enjoys the privilege of using public highways at low cost and is relatively free from regulation. In other circumstances the railway industry would be in a strong position to meet the emergence of truck competition, because the average of truck costs is probably three times the average of rail freight costs. Averages, however, are often misleading. In 1952, while the average cost to freight shippers using your railway was only 1.3 cents per ton mile, railway freight rates ranged from about one-half cent per ton mile on a large volume of traffic to ten cents and more per ton mile on certain high value commodities. It is, of course, the latter commodities which are most vulnerable to truck competition.

PROBLEM OF RATES

The serious problem confronting the railways is that of meeting truck and other competition while they themselves remain bound by a pattern of rates designed at a time when competition was a relatively unimportant factor. It is natural that those areas where development in the first instance was dependent upon those early transportation policies governing the freight rate structure, should be reluctant to see any change in the principles which then underlay such policies. Yet fears that such areas might be adversely affected by any change in the basic principles of the freight rate structure designed to make that structure serve better the future development of all of Canada are, I believe, ill-founded. Such changes would, I am confident, not only leave unimpaired the prosperity of the areas affected but would at the same time react to the benefit of the entire country.

The need for greater freedom in rate making is not felt in Canada only. In the United Kingdom recognition of this need has found expression in the repeal by Parliament of legislation which had hitherto deprived British railways of equality of opportunity to compete with highway transportation. Important new principles aimed at bringing about greater flexibility in rate making have been adopted. In the United States, too, there is a growing awareness of the need of the railways for relief from outmoded regulations. Action to remedy the situation is being taken which it is expected will find expression in legislative proposals to be presented to Congress later in the year.

OIL

In the oil fields of Western Canada 1952 was a year of record activity, with expenditures on exploration and development estimated at $280 million, the completion of more than 1,000 new oil wells and an increase of approximately 30 per cent in crude oil production. Impressive progress has been made by the Western Canadian oil industry since the discovery of the Leduc field amounted to 7½ million barrels as compared with some 60 million barrels in 1952. With the completion of additional transportation and refinery facilities further substantial increases in production may be expected of the 200 million acres under exploration and development in western Canada.

Some 11 million acres are lands in which your company holds title to petroleum rights. The income to your company from the development of these rights is in the form of reservation fees, rents and royalties and, as you will have noted from the annual report, amounted to $3.6 million for the year 1952. This was an increase of $1.4 million over the previous year and present indications are that a similar increase may be expected in 1953.

BRITISH COLUMBIA COAST STEAMSHIPS

Following the destruction by fire of Pier D at Vancouver in 1938 temporary accommodation for your coastal services was provided at the deepsea Pier BC. The need to release this pier for ocean shipping and to provide more satisfactory facilities for your coastal services became urgent. It has therefore been decided to construct modern coastal facilities on the site of the old pier D. Work on dredging and filling will be started this year and completion pressed as rapidly as possible.

To improve further and to augment the services between the mainland and Vancouver Island tenders have been called for the construction of a self-propelled train ferry capable of carrying 800 passengers as well as 115 automobiles and trucks or 28 freight cars. This vessel will be placed in service between Vancouver and Nanaimo. Special new berthing facilities will be built at both ports for its efficient operation.

OCEAN STEAMSHIPS

The prospects for your ocean steamships in 1953 are not too bright. While the Coronation Ceremony has attracted good bookings for passenger traffic, the volume of both trans-Atlantic and trans-Pacific freight traffic is expected to be low. In addition, cargo rates are depressed because of a surplus of ships on world trade routes. The new passenger cargo liner, of which details are given in the annual report, is to be built by the Fairfield Shipbuilding and Engineering Company, Glasgow. The cost of this liner is estimated at $16 million, which amount will be financed with funds available in your steamship replacement fund and from the United Kingdom Government tonnage replacement account.

The destruction by fire in January of the "Empress of Canada" while undergoing overhaul at Liverpool was a severe loss to your passenger fleet. To replace this ship, the steam-turbine vessel "De Grasse" of 19,665 gross tons has been purchased from the French line. She has been renamed "Empress of Australia," and is nearing Montreal after her first westbound Atlantic crossing.

AIR LINES

Completing their first decade of operations, your Air Lines in 1952 provided a greater volume of transportation service than in any previous year. On routes extending over 25,000 miles, 207,000 passengers were carried a total of 145 million miles. Cargo traffic

amounted to 1.5 million ton miles and mail traffic to 1.2 billion pound miles.

The five Convair airliners purchased for use on mountain routes have been delivered. In addition to providing modern air service, the increased capacity they provide will enable your Air Lines to re-institute a tri-weekly service from Whitehorse to Fairbanks, Alaska. To cater more adequately to the needs of the vast aluminium project at Kitimat in addition to the existing service out of Vancouver a new tri-weekly service is now provided between Edmonton and Prince Rupert. It is intended to extend the present Winnipeg Flin Flon route to the important nickel and copper mining area at Lynn Lake as soon as an airport is completed. Another route is planned to serve the important mining development at Pine Point on the south shore of Great Slave Lake.

PROJECTED NEW CARGO SERVICE

Hearings have been concluded on the application made to the Air Transport Board for permission to operate an air cargo service between Montreal and Vancouver via Toronto, The Pas and Edmonton. If approved, the service will provide overnight delivery of goods across the country and should be an important addition to the transport system of Canada. Three Douglas DC 6B passenger airliners have been received and a fourth is expected in June. These airliners will provide the fastest and most luxurious service linking North America with the Orient and the South Pacific.

COMET PROGRAMME AWAITS COMMITTEE'S FINDINGS

A setback in the plans to inaugurate jet passenger service in the South Pacific was encountered when the first Comet 1-A crashed at Karachi Airport while on its delivery flight to Australia. The unfortunate loss of crew and technicians is most regrettable and suitable expressions of sympathy have been conveyed to those affected. This accident has been the subject of a detailed investigation by a Board of Inquiry nominated by the Government of Canada, the United Kingdom and Pakistan. After a careful study of the findings and of those in connection with the loss of a BOAC plane at Calcutta a few days ago, your Comet programme for the future will be determined.

Bilateral government agreements have been signed authorising an air service from Vancouver to Mexico City, Lima and Rio de Janeiro. This route, adding 7,500 miles to the Pacific network of your air lines, will provide the fastest service between the Orient and South America and is expected to be in operation in the fall of 1953.

RESULTS FOR FIRST QUARTER 1953 AND PROSPECTS FOR YEAR

Net earnings from railway operations for the first quarter have declined by $630,000. This is attributable in part to a decline of 4.8 per cent in volume of traffic from the peak level of the first quarter of last year and in part to higher wage rates which were not compensated for until March 16th, when an increase in freight rates of 7 per cent became effective. While it is as yet too early to make an accurate prophecy for the year, studies by your traffic officers have not indicated a continuation of the decline in traffic and the results of your railway for the remaining quarters should show an improvement.

On the other hand a reduction in other income seems definitely indicated. I have already pointed out that the prospects for your ocean steamships do not appear too bright and income from other sources is likely to be lower.

NEW EQUIPMENT TRUST AGREEMENT

As you will have noted from the annual report, your approval will be requested at this meeting for a substantial capital programme of which $55.6 million pertains to new rolling stock. It was deemed advisable to acquire certain of the new units under an equipment trust. For this purpose the Royal Trust Company as trustee entered into a trust agreement dated April 1, 1953, under which $25 million principal amount of 4 per cent equipment trust certificates were issued bearing the guarantee of your company as to principal and interest.

CONCLUSION

The builders of your railway had great faith in the future growth of Canada. The traffic volume in recent years has justified their belief and that of their successors. In general your railway facilities are now fully employed. The extensive programme of capital expenditures now being undertaken is further evidence of belief in the continuing development of the country. I am not unmindful that your railway is an industrial enterprise that it is subject to the same economic considerations that affect other private undertakings. Assuming only that your company is afforded the opportunity to earn a fair return from its railway investment, I am confident it will continue to play its part in providing efficiently the transportation needs of Canada.

The report and accounts were adopted.

MOSS' EMPIRES LIMITED

LARGER PROFIT

The fifty-fourth annual general meeting of Moss' Empires Limited was held on May 7th in London.

Mr Prince Littler, the chairman, in the course of his speech, said: A further distribution of bonus shares is to be made, subject to the necessary resolution being passed at an extraordinary general meeting to be held immediately at the close of the proceedings of this meeting. This will involve a transfer from capital reserve of £47,462, to be applied in paying up in full at par the amount in new ordinary shares for distribution amongst the members holding ordinary stock at April 22, 1953.

The profit on trading after charging renewals of furnishings shows an increase from £379,394 in 1951 to £400,589 in 1952. The directors regard this as satisfactory, looking to the difficulties of the present time, with rising costs in many directions. The profit carried down to the appropriation account is £113,797 against £95,922 for 1951.

It is proposed to maintain the dividend on the Ordinary stock at the same rate as for the year 1951, namely, 20 per cent on account of which an interim dividend at 7½ per cent, less income tax, has been paid, the final dividend being at the rate of 12½ per cent, less income tax, on the increased capital.

Both the parent company's balance sheet and the consolidated balance sheet again show a strong financial position. The consolidated balance sheet discloses fixed assets of £2,456,670 and current assets of £1,193,575, with total assets of £4,050,529. The mortgage debenture stocks are £1,071,026. The current liabilities and provision are £675,140. The consolidated profit and loss account shows total income of the group for the year of £459,962, against £456,903 for 1951.

The report was adopted and the proposed issue of bonus shares was sanctioned.

INSTITUTE OF CHARTERED ACCOUNTANTS

ANNUAL MEETING

The seventy-second annual meeting of the Institute of Chartered Accountants in England and Wales was held on May 6th in London. Mr T. B. Robson, MBE, the President, in the course of his address, said:

THE CORONATION

By Her Majesty's grace and invitation I am to be privileged as your President to be present in the Abbey during the Coronation ceremony.

As a body whose creation and corporate existence are due to a charter granted by the Crown, our Institute owes Her Majesty a special debt of affection.

ANNUAL RELIGIOUS SERVICE

Many members of the council feel that the decay of religion throughout the world has done much to bring about the present state of world affairs. The council has decided to indicate its own attitude by attending officially a service at a City church once a year in future on the day of a council meeting.

GROWTH OF THE INSTITUTE

Today we have over 17,000 members. Thirty years ago, when I was myself admitted to membership, the total was only 6,000. Every member has to undergo the rigorous training under articles and pass the examinations which our charter and bye-laws prescribe. But the rigours do not appear to discourage new entrants. Contrary to the impression which still persists, no young person of character and reasonable ability who goes through our system of training and works hard need have fears about his prospects of qualification.

SYSTEM WORK AND MANAGEMENT ACCOUNTING

Members of our Institute have in special degree the qualifications for giving advice and assistance on the development and adaptation of accounting systems. Trained as we are in the fundamentals of accountancy, we are able far better to appreciate what is needed than many of those who have invaded this field of activity without our basic accounting training to assist them.

Similar considerations apply to the production and presentation of information which will be of assistance to management in its day-to-day conduct of business. The field of system work and management accounting presents to our members real opportunities of service to industry and thus to the nation as a whole.

Much has already been done and much is in progress in our Institute in regard to this matter.

EXCESS PROFITS LEVY

I was profoundly glad to hear the news that the excess profits levy is to disappear from the fiscal scene at the end of this year. My regret is that it ever appeared and that, having appeared, it has to stay with us so long. It is a thoroughly bad tax, inequitable in its incidence, a deterrent to efficiency and bold and adventurous planning, a discouragement to initiative and enterprise.

The profits tax is another unsatisfactory tax which we accountants would very much like to see withdrawn.

ROYAL EXCHANGE ASSURANCE

233rd ANNUAL REPORT

A YEAR OF GREAT ACHIEVEMENT

INCREASED PREMIUM INCOMES AND SUSTAINED PROFITABILITY

LORD BICESTER'S STATEMENT

The two hundred and thirty-third Annual General Court of the Royal Exchange Assurance will be held at the head office of the Corporation, in the Royal Exchange, London, on May 27th.

The following is the statement by the Governor, The Right Hon. Lord Bicester, which has been circulated with the report and accounts:

I have decided to continue the policy which I initiated last year of issuing a statement in advance of the Annual General Court explaining and amplifying the report and accounts of our group of companies for 1952. Before doing so I would like to refer to Mr Michael Hamilton's acceptance last year of our invitation to become a director of the "Royal Exchange" and to express my confidence that he will prove a valued member of the Court.

1952—ITS ECONOMIC BACKGROUND

British insurance, with its vast world-wide business, is from the very nature of its operations especially sensitive to financial and economic changes.

At the beginning of 1952 the United Kingdom was beset by two major economic problems, the unbalance of its overseas payments coupled with the apparent inability of its population to provide adequately out of savings the capital needs of industry and commerce. Both these economic ills flowed directly from inflationary policies of former postwar years, but there is encouraging evidence that HM Government has inflation under control and may soon be able to eliminate many of its dangerous effects. Certainly today the United Kingdom holdings of gold and dollar reserves are continuing to improve and the "terms of trade" have moved in our favour.

GROUP OPERATIONS

You may recall that at this time last year I made the suggestion that 1952 might mark the end of the postwar economic era which had been so notable for severe inflation. That prediction seems to be proving substantially accurate in much of the free world in which we operate.

We have continued our policy of developing and consolidating the organisation of the family of companies comprising the "Royal Exchange" group. In order that you may the more readily realise the success which has attended our efforts and the real progress made, I give below the published figures of the annual aggregate premium income of the fire, accident and marine accounts in recent years.

1945	£9,671,152
1946	11,436,973
1947	13,691,978
1948	14,874,860
1949	16,729,156
1950	19,131,829
1951	22,019,017
1952	24,917,487

I am sure you will agree that these figures represent an eminently satisfactory measure of our group's great postwar effort. Especially creditable is the record increase of almost £3 million in 1952, despite the disturbed economic and financial conditions encountered during that year. I am confident that you will find the individual records of our underwriting departments for 1952 equally satisfactory.

FIRE DEPARTMENT

The fire department, I am pleased to be able to report, again enjoyed an excellent year in 1952. The premium income of £9,300,241 again constitutes a record and shows an increase of more than £1 million over 1951. I am, however, doubtful whether the high rate of growth shown in recent years can be maintained now that postwar economic conditions are becoming more stabilised.

Although the claims experience on the whole has been rather less favourable, an excellent surplus has once more been derived both from our operations at home and our very much larger activities overseas. This surplus, amounting to £895,819, being 9.6 per cent of the premium income, is little short of the record figure a year ago.

In a year of heavy fire wastage at home reference should also be made to the disastrous loss by storm and flood which occurred in the Lynmouth area in the summer of 1952. Although in the home field such occurrences have hitherto been regarded as abnormal, it was disturbing to find 1953 opening with storm and flood damage of even greater severity in the East Coast area.

Appreciating as we all do the value to our country of invisible exports, it is very pleasing to me to be able to tell you that our large overseas business has made a substantial contribution to the national economy.

In the United States we have, as you know, a very important business and during the last two years considerable re-organisation of our operations has been undertaken. This work is continuing to our satisfaction, and we feel that our business in that great country is on a sounder basis than ever before.

MARINE DEPARTMENT

Aggregate marine income for the year was £2,242,256, being an increase of over £150,000 as compared with 1951. In respect of the underwriting years prior to 1951 we are transferring £202,112 to profit and loss account, thus leaving the fund at the end of 1952 at £3,828,651, being 170.7 per cent of that year's premium income.

A most disappointing feature of the 1952 hull underwriting account was the very considerable number of serious liner casualties which the marine market encountered. Cargo business remains very competitive and there can be no doubt that the reduction in cargo rates has been very much overdone. Whilst generally the incidence of claims for theft and pilferage of cargo has not shown any great tendency to grow, except in certain black spots, there has been a marked increase in claims for damage to cargo.

GENERAL ACCIDENT

This department incorporates, as you know, the underwriting of a very wide range of risks throughout the world. The aggregate premium income for 1952 at £13,374,990 exceeds that of the previous year by £1,740,000. After making provision for unexpired risks we are able to transfer £558,847, being 4.2 per cent of premium income, to the profit and loss account.

The employers' liability account is still proving very difficult owing to the high level of awards for damages, but, as a result of increased rates in certain territories, the outlook is now somewhat more favourable.

The general claims experience of the motor insurance market continues to be unfavourable, and our own account is no exception, although last year's figures show some improvement over those of the previous twelve months. In an effort to remedy the position, premium rates have been increased in a number of territories, but it takes time for the application of increased rates to have a material effect upon the result.

While, of course, the cost of settlement of personal injury claims and of repairs to vehicles remains very high, the root cause of the problem in motor insurance throughout the world is the large number of accidents that occur. It is true that since the war much has been done to make roads safer, but a great deal still remains to be accomplished, and the extent and urgency of the problem is brought home to us when we remember that close on 5,000 people are killed and about 200,000 injured every year as a result of traffic accidents in the United Kingdom alone.

We trust that the suggestions of the conferences which have been presided over by Lord Llewellin, the president of the Royal Society for the Prevention of Accidents, will be fully implemented because we believe they will help to reduce the enormous annual wastage caused by road accidents.

There could be a great improvement in the present position if only all drivers would realise that by the manner in which they drive and by the courtesy they extend to other road users they can play a very large part not only in reducing the number of accidents and consequent financial loss to the country, but also in reducing the cost of motor insurance to themselves.

LIFE DEPARTMENT

During 1952 new life policies were issued with net sums assured of £6,100,000, an increase of nearly £600,000 upon the record figure achieved in the previous year, and there was a corresponding increase in the total income, which is now over £2,200,000. Claims by death continued at a level well within the expectation.

A notable item is the gross interest income which exceeded £1 million for the first time in the history of our life fund. The gross yield for the year was £4 16s. 1d. per cent, or 3s. 3d. per cent more than in 1951.

Continued progress of our life department during 1952 has been reflected in our decision

to quote lower rates of premium. More recently we have also decided to increase the rate of interim bonus allotted to policies becoming claims in the current year. It is now to be 36s. per annum for each £100 sum assured in respect of premiums due after 1952, as compared with a rate of 32s. in earlier years. The next triennial investigation of the position of the Corporation's life fund with a view to a declaration of bonus is due to take place as at December 31, 1954, and I am happy to say that present indications give every hope of a further improvement in the bonus declaration.

INVESTMENTS OF THE "ROYAL EXCHANGE" LIFE AND ANNUITY FUNDS

One of the three most important elements in calculating the rates of premium to be quoted for life assurance and annuity contracts is the future yield of interest which can be expected to be earned upon the policyholders' funds.

Proper regard must of course always be paid to the investment channels which from time to time are known to be likely best to serve the interests of the United Kingdom and Commonwealth, and because commerce and industry provide the very lifeblood of the nation's economy, we have in the past invested and continue still actively to invest a substantial part of our funds in the prior charges and equities of the leading joint stock companies in the United Kingdom.

Generally the yield to be obtained from long-term investments materially exceeds that from short-term securities of similar quality. Over the years it is only by earning the long-term rate upon the major part of its funds that a life office is likely to be able to continue to quote competitive rates of premium.

It will be recalled that only last year I revealed that we had been following an ultra-cautious investment policy designed specifically to safeguard capital values at the temporary and moderate cost of a relatively low income return upon our life and annuity funds' investments. In the hope that as from the latter half of last year the nation might be about to enjoy the benefits of a healthier economic climate your directors replaced some part of its cash and short-term holdings by longer-term securities.

The effect of our earlier financial policies is well illustrated by the annual gross yields obtained upon the "Royal Exchange" life and annuity funds since the end of the war:

	Life Fund per cent			Annuity Fund per cent		
	£	s.	d.	£	s.	d.
1945.....	4	5	3	4	14	4
6.....	4	6	2	4	9	6
7.....	4	1	8	4	6	1
8.....	4	4	4	4	14	0
9.....	4	2	10	4	14	7
1950.....	4	4	9	4	13	8
1.....	4	12	10	4	19	0
2.....	4	16	1	4	19	8

Without in any way abandoning our former insistence upon very high quality in the choice of individual investments I am not unhopeful that 1953 may show a continued improvement in the yields earned upon these funds.

The further deterioration in the quotations generally for marketable securities during 1952 had relatively little effect upon the overall valuation of the investment portfolios of our life and annuity funds. You will, I know, be pleased to have my assurance that at the year end the Stock Exchange securities of both these funds represented, at mid-market values, substantial aggregate margins in excess of the figures printed in the balance sheets.

TRUSTEE AND EXECUTOR DEPARTMENT

It is generally recognised today that the function of trusteeship requires a high degree of skill and judgment, and in conducting such business there is little doubt that experience gained over the years is a most valuable asset. It is interesting to recollect that the Royal Exchange Assurance was a pioneer amongst corporate trustees, having obtained authority by Special Act of Parliament in 1901 to undertake trustee business. This, coupled with the fact that the Corporation has, over two-and-a-quarter centuries, acquired on its own account an exceptionally wide experience in investment and other business spheres, is one of many advantages to be gained by appointing the Corporation as executor or trustee of private funds.

The Royal Exchange Assurance also acts as trustee for debenture and bond issues of every description and I think it is fair to add that over the last 30 years or so the Corporation has acquired a knowledge and experience in this type of trusteeship which is second to none.

Before leaving the subject I would like to refer to the retirement upon pension of Mr W. Bidwell at the end of October, 1952. He entered our service in 1911 and devoted over 40 years to the affairs of the Corporation's Trustee Department, of which he had been manager since January, 1939. He carries with him in his retirement our thanks for his good work and best wishes for his future happiness. To succeed Mr Bidwell we appointed Mr B. S. Latham and Mr A. H. B. Rodyk, MA, LLB, both of whom have also spent many years in the department, to be joint managers.

TAXATION

As you will see in the "Governors' and Directors' statement" which precedes the revenue accounts, there is a note to the effect that we have carried directly to the profit and loss account all overseas taxes on profits payable in territories where double taxation agreements obtain. Previously these taxes have been charged in the departmental revenue accounts where the profits were earned and the 1951 figures have been adjusted to produce a fair comparison.

Although some proportion of such overseas taxes is accepted in relief of UK taxation, we cannot expect to make anything like a full recovery. Furthermore, some time elapses before our claims are agreed and the estimating of such relief in advance is, in many cases, quite impossible, so that I am sure you will agree that the new method gives a much truer picture of our underwriting results.

It is interesting to note that in respect of 1952 the provision for UK taxation amounts to over £1,238,000, which, coupled with overseas taxation of almost £267,000, makes our total tax burden for the year £1,505,000.

So that you may appreciate the great weight of taxation which we bear it can be stated that the Inland Revenue alone has, in the last five years, levied taxation of some £5,600,000 upon the general funds of our group as compared with the aggregate net amount of £1,047,615 which the stockholders will have received in dividends covering the same period.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

On the income side of this account are assembled generally the fruits of our efforts for 1952. Gross interest earning upon our general funds amounted to £962,542: the substantial improvement compared with 1951, although partially attributable to the larger funds at our disposal, is more particularly due to our greater readiness to invest moneys which we had, formerly, by design kept liquid.

The departmental transfers at the year end aggregated the record figure of £1,654,829 to which falls to be added miscellaneous items of £80,757 largely representing a one-third instalment of the proprietors' share in the 1951 life valuation surplus. Total income accordingly amounts to £2,698,128, a figure some £340,000 higher than in the previous year.

On the other side of the account you will see, *inter alia*, the very large provision for taxation to which I have already referred and also aggregate transfers of £196,100 to pension and staff allowances funds. £56,244 has been applied in the reduction of book values of individual investments of certain of our associated companies although, in the aggregate, the marketable securities of our general funds possessed a value very substantially in excess of the figures appearing in the balance sheet.

The remaining balance of £857,000 is transferred to the consolidated profit and loss appropriation account making, with the sum of £2,312,696 brought forward from 1951, a total disposable sum of £3,169,696.

DIVIDEND

The general picture presented by our accounts for 1952 is, I am confident you will agree, one of great achievement: each of our principal underwriting accounts shows increased premium collections and sustained profitability. Furthermore, despite heavy taxation we were able to increase our reserves and surplus during the year by nearly £2 million.

The Court of Directors considers that some further modest increase in the dividend in respect of 1952 will be no more than consistent with the eminently satisfactory account of the Corporation's affairs which I have been able to present to you. Accordingly it was recently decided to recommend *the payment of a final dividend of 35 per* cent, making, with the interim of 15 per cent, a total dividend of 50 per cent—the comparable total for 1951 was 45 per cent.

It is our present intention if circumstances are then favourable to increase the rate of the interim dividend for 1953, so as to bring it more nearly into equality with the final payment. I should, however, stress the point that any such alteration must not be taken as implying that the total distribution for 1953 will be greater than for 1952.

EQUIPPED TO MEET ANY DIFFICULTIES

I am now in my sixtieth year as a member of the Court of Directors, and over that long period, which includes almost forty years as your Governor, I have seen the Corporation and its family of associated companies gradually become welded into the present great organisation. We can be proud of our strength and of the loyal and devoted individuals who are the backbone of our worldwide business, and I have no hesitation in assuring you that our organisation is well equipped to meet any difficulties which are likely to arise in the foreseeable future.

Finally, I am sure you will agree that our annual general court is the appropriate occasion to express the thanks of the stockholders to our general manager, Mr Phelps, to his executive assistants, to the managers of our associated companies, as well as the branch managers and the staffs, both at home and overseas, for their combined achievements last year. I would also like to convey to the directors of our associated companies, the members of our local boards, as well as our agents and representatives throughout the world, an appreciation of the loyal support we continue to receive from them.

ROYAL INSURANCE COMPANY LIMITED

107th ANNUAL REPORT

OUTSTANDING EXPANSION

RECORD PREMIUMS EXCEED £50 MILLION

COL A. C. TOD'S SURVEY

The annual general meeting of the Royal Insurance Company Limited will be held on May 27th in Liverpool.

The following statement by the chairman (Colonel A. C. Tod, CBE, TD, DL) has been sent to stockholders with the 107th annual report and accounts.

Our report and accounts set out the essential facts regarding the "Royal's" worldwide operations during 1952 and require little elaboration.

The central feature is undoubtedly the progress and increasing strength which the accounts continue to reflect.

Our total fire, accident, marine and life premiums exceed £50 million for the first time in our history. They show an increase of more than £3,750,000 over the preceding year. In the past four years the *increase* alone in our premium income has exceeded £15 million, a figure roughly equal to the *total* premiums shown in our accounts for 1939.

A rise of over £1¼ million in our new life business brings new sums assured to a record amount exceeding £12 million.

These figures, of course, cannot be interpreted as a true measure of the economic tempo of the times, since inflationary factors have been persistently active. Nevertheless, they do in fact reflect a measure of real expansion and testify to the confidence which the insuring public has in the "Royal."

Underwriting profits amounted to £2,294,931, but this sum, although substantial, represents a modest percentage of only 4.98 per cent of the premiums, and this is before charging United Kingdom taxation.

INSURANCE COMPANIES AS INSTITUTIONAL INVESTORS

With taxation and living costs at their present high levels, there is little margin today for individual savings, except for what is put aside by way of insurance premiums, pension fund contributions, building society deposits and the like. The insurance companies are, therefore, regarded as one of the few remaining effective repositories for private savings. *All too frequently, however, in the press and* elsewhere, there is an undercurrent of criticism, either implied or overt: either we under-rate our responsibilities and fail to invest our available monies sufficiently in providing finance for industry, or, alternatively, we acquire such dominant financial interests in industry that we obtain an unhealthy control. I should like, in fairness, to analyse that situation a little further.

In the first place, let us concede that the vast sums collected annually in the shape of life assurance premiums are of real importance to the country's economy. The sum involved is of the order of £300 million annually. Much of those savings would probably be spent if they were not earmarked for life assurance premiums. Surely, in these days when a restraint on spending and a reasonable volume of personal savings are essential for the rehabilitation of the country's commercial life, the part played by the insurance companies should be generously acknowledged.

In the second place, as regards general business, let me remind you of the great volume transacted overseas by the British insurance companies. That business involves substantial obligations in the provision of reserves overseas, and must be kept in mind when measuring our investment potentialities at home.

Again, the boards of insurance companies —each according to their own judgment— must necessarily subject their financial policies to the over-riding consideration of their policyholders' interests and security. Their obligations to policyholders are of a quasi-trustee character, and it would be irresponsible to ignore that fact in any determination of investment policy.

I submit, however, that, with due regard to their responsibilities to policyholders, insurance companies make a fair contribution to the financing of industry in this country. I think not only of their investments in preference and ordinary shares; there are also their industrial mortgages and debentures, and the help that the companies give to house purchase, either indirectly by way of advances to building societies, or, alternatively, by direct mortgages.

So far as the "Royal" Group is concerned, almost two-thirds of our available monies in recent years have been invested in the directions just indicated, and I think we have an effective answer to the first of the major criticisms that are sometimes levelled against us.

In short, if insufficient money is finding its way into industry today, I think we must put that down to high levels of taxation and not to any failing on the part of insurance companies.

May I also, unequivocally, rebut the other criticism relating to control. Our business is insurance. There is sufficient in the successful conduct of our own business to claim all our attention, and the last thing we would want as a result of our investment policies would be to become involved—even in minor degree—with the management and control of other industries.

OVERSEAS

In the United States of America, our business continued to expand, and the year was fortunately free from major disasters.

The overall underwriting result was a very satisfactory profit, but difficult conditions in the Automobile Department, to which I have had cause to refer in recent years, persisted. Steps have been taken to remedy the position and it is hoped that benefit will be felt in the current year.

In Canada, our premium volume was the highest we have so far recorded and the results were excellent, although, here again, the automobile situation continues to call for the strictest vigilance.

In Australia, New Zealand, and South Africa, in India, Pakistan, Burma and Ceylon, *and in the many other territories—old and* new—where we operate, we have shown healthy progress and satisfactory trading results.

LIFE DEPARTMENT

Year	New Sums Assured £	New Annuities (per annum) £	Claims by death £	Matured Endowment Assurances £
1952	12,010,108	519,794	886,313	1,319,612
1951	10,663,180	414,705	880,157	1,352,568

One of the most notable features of the year's working has been the considerable rise in new life sums assured.

Claims by death were little more than in the previous year, and were again well below the mortality experience provided for in our rates.

The year shows a substantial depreciation in the values of Stock Exchange securities, but I am happy to tell you that the market value of the assets of our life and annuity funds, at the end of 1952, was in excess of the amount stated in the balance sheet.

It is pertinent to recall that the bulk of our life investments in British Government securities are in dated stocks so that temporary fluctuations in market value do not detract from their ultimate worth.

Nevertheless, we decided to strengthen our position further by transferring £1 million to life investment reserve.

FIRE DEPARTMENT

Year	Net Premiums £	Profit £	Percentage of Premiums
1952	20,148,442	2,018,327	10·02
1951	20,023,505	1,673,904	8·36

Our home fire income again expanded, but the increase was not so marked as in recent years, the levelling-off being in keeping with the wholesale prices trend. The loss ratio was again favourable.

It is worthy of note that fire losses in 1952 in Great Britain, in the United States of America, and in Canada, were, in each case, the highest ever recorded.

Fires occur in this country at a rate in excess of 200 a day. All classes of property are involved, ranging from dwelling-houses to industrial premises. Whilst the larger and more spectacular fires—there were twenty-one last year in each of which the estimated material damage exceeded £100,000—come to the notice of the public, the smaller fires are, in the aggregate, much more costly. The fire offices are doing all they can by research and dissemination of advice to reduce fire-wastage. Whilst much of the increased wastage was due to the rise in values, it is probable that the loss in terms of goods was greater than prewar.

In all these circumstances the continued profit-earning capacity of this account is a source of satisfaction.

ACCIDENT DEPARTMENT

Year	Net Premiums £	Profit £	Percentage of Premiums
1952	22,286,097	201,047	0·90
1951	18,545,687	25,709	0·14

Our accident business showed a profit which, although still marginal, was, nevertheless, an improvement on the preceding year.

Motor insurance throughout the world continued to be difficult, and one of the principal causes was inflation with its adverse impact on claims before rate levels have had a chance to catch up.

Much has been done in the last year or two to put premium rates on to a more realistic basis, and this, combined with strict attention to prudent underwriting, holds out some hope that we can look for some further improvement in results.

MARINE DEPARTMENT

Year	Net Premiums £	Fund as at Dec. 31st £	Percentage of Net Premiums
1952	3,686,473	7,166,239	194·39
1951	4,080,410	7,227,956	177·14

The 1951 marine underwriting account has been closed with a profit of £75,557, or 1·85 per cent of the 1951 premiums. Our profit is substantially less than in earlier years, the principal cause being deterioration of certain sections of our cargo account.

The lower premiums in 1952 reflect the fall in some commodity values as well as the contraction in the export trade.

There are no grounds for complacency in the marine market. Cost of ship repairs—both materials and wages—are still rising, and it was this factor which influenced the marine market recently to introduce an overall increase of 10 per cent on all renewals, although with certain changes in the Joint Hull Understandings in favour of those shipowners whose fleets show satisfactory results.

INVESTMENTS

During the year there was a further fall in the market prices of Stock Exchange securities at home and abroad, as disciplinary monetary measures were introduced to combat inflation. Despite this, the market value of our investments as a whole was in excess of the value shown in the balance sheet as at December 31st last, even prior to the transfer of £1 million to life investment reserve, to which I have already referred.

TAXATION

Provision has been made in the profit and loss account for United Kingdom taxation of nearly £1 million. But that is not the whole story. There is taxation borne by interest; there is overseas taxation (which is charged in the revenue accounts) arising in the various territories in which we operate; and there are the corresponding items in respect of our Associated Company, the "Globe," and its subsidiaries. It is interesting to note that, when we aggregate the tax liabilities of the whole "Royal" Group, including all our Associated Companies, we have incurred by way of taxation under all headings a total of no less than £7½ million.

FOREIGN EXCHANGE

Apart from the United States and Canada, currency figures have been converted at approximately current rates of exchange. In dealing with our business in the United States and Canada, we have continued to convert the dollars at approximately $4.86=£1. Actual remittances, however, from all countries have been taken at the sterling values realised.

DIVIDEND

In November last, an interim dividend of 4s. 9d. was declared, and the directors are pleased to be able to recommend an increase in the final dividend to 5s. 3d., making 10s. per £1 stock for the year.

LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED

RECORD TOTAL OF NEW LIFE BUSINESS

ASSETS NOW APPROXIMATE £180 MILLION

The one hundred and sixteenth annual general meeting of the Legal and General Assurance Society Limited was held on May 6th at 188, Fleet Street, London, E.C.

The Hon. W. B. L. Barrington, the chairman, who presided, said:

LIFE ASSURANCE AND ANNUITY FUND

I am again happy to report that the amount of new life assurance business transacted during the year was eminently satisfactory. The total net new sums assured, including the group additions, totalled £72,347,021, compared with a total of £71,123,198 in 1951. In addition deferred annuities were issued providing for the payment of £4,033,214 per annum, compared with £3,422,948 in the previous year.

The total net premium income amounted to £25,820,036, showing an increase during the year of £3,422,100.

MORTALITY EXPERIENCE

I am pleased to report that following our investigation into the mortality experience the results under both the life assurance and annuity sections were favourable.

Rate of Interest.—The gross rate of interest earned on the life fund, excluding the amount invested in purchased reversions, was £4 9s. 1d. per cent, as compared with £4 8s. 4d. per cent in the previous year; the corresponding net rates being £3 19s. 2d. per cent, compared with £3 17s. 6d. per cent for the year 1951.

Expenses of Management.—The ratio of commission and expenses of management to the life premium income, excluding the contribution for staff pensions, showed a slight increase at 9.49 per cent, compared with 9.33 per cent for the previous year.

FIRE AND ACCIDENT ACCOUNTS

The net premium income of the fire insurance account, including the business of the "Gresham Fire," amounted to £2,076,500, having exceeded £2 million for the first time. Claims paid and outstanding, including contributions to fire brigades, absorbed 39.8 per cent of the premium income; commission, expenses of management, and overseas taxation, 48.53 per cent. Provision for unexpired liabilities required a sum equal to 2.95 per cent of the premium income, leaving an underwriting surplus of 8.72 per cent, or £181,040.

After adding interest on the fund amounting to £48,119, the gross surplus amounted to £229,159.

United Kingdom taxation paid and reserved, including the tax on the profit for the year of account, required the sum of £128,383, and the account has been charged also with £52,276, being its contribution to the staff pension fund.

The resultant balance of £48,500 represents the net profit on the account and has been added to the additional reserve, which now stands at £298,500.

In the accident insurance account the net premium income amounted to £1,275,132. The ratio of claims paid, together with adequate provision for those outstanding, was 47.58 per cent of the premium income. The cost of commission, expenses of management, and overseas taxation represented 42.83 per cent. After providing for unexpired liabilities, the underwriting surplus was £19,763.

To this sum has to be added an amount of £41,040 for interest on the fund, making a total surplus for the year of £60,803.

An amount of £2,900 was required for United Kingdom taxation and the account was also charged with £43,308, being its share of the contribution to the staff pension fund. The balance of £14,595, representing the net profit on the account, has been transferred to the additional reserve, which now amounts to £164,595.

The total net fire and accident premium income in the consolidated fire and accident accounts has now reached the sum of £3,351,632, on which the underwriting surplus in 1952 was £200,803 and the total net profit transferred to the additional reserves £63,095.

The claims ratio on the combined fire and accident accounts was 42.76 per cent, whilst the ratio of commission, expenses, and overseas taxation was 46.36 per cent.

MARINE ACCOUNT

The net premium income of the marine account for the year amounted to £413,725. As you will observe, the underwriting accounts for the years 1949 and 1950 have been closed, and after charging the account with expenses and making provision for taxation, the resultant surplus for the two years amounts to £97,500, which is retained in the fund.

PROFIT AND LOSS ACCOUNT

The balance brought forward in the profit and loss account amounted to £734,583, and you are aware that no transfers are made to this account during the course of the quinquennium for reasons which I have explained on previous occasions.

The directors recommend the payment of a final dividend of 4s. 3d. per share which, together with the interim dividend paid on January 1, 1953, makes a total dividend of 6s. 9d. per share. After allowing for the payment of this dividend, the balance carried forward in the account will be £608,506.

ASSETS

The assets of the society now total £179,571,640, an increase during the year of £20,012,717.

The general pattern of the society's investments is similar to that of the preceding year, the major changes being represented by additions to our holdings of debentures which were increased by £1,747,366 and to our ordinary shares which were increased by £2,255,293. The fall in security values has naturally provided us with a higher range of yields in the various investment groups, of which we have taken full advantage.

Mortgages on property increased during the year by £5,453,651 to £26,425,807, and substantial additions were made to our investments in freehold and leasehold property which, including rent charges and ground rents, now total £53,871,696, an increase during the year of £7,383,130.

We have now completed the first year of a new quinquennium, and the directors are fully satisfied that the accounts before you record a position of considerable strength.

The report and accounts were adopted.

PHŒNIX ASSURANCE COMPANY

IMPRESSIVE RESULT OF WORLD-WIDE OPERATIONS

COL J. J. ASTOR ON THE FURTHER EXPANSION OF BUSINESS

The one hundred and seventy-first annual general meeting of Phœnix Assurance Company, Limited, will be held on May 28th in London.

The following are extracts from the statement by the chairman, Colonel the Hon. J. J. Astor, on the directors' report and statement of accounts for the year ended December 31, 1952:

It was with deep sorrow that we heard of the death, on July 16, 1952, of Mr William Shearer. In June last Mr Shearer, who had been in ill-health for some time, relinquished the office of chairman of the board, which he had held with distinction since 1948. The records achieved during his period of office bear ample testimony to his sound leadership, and by his passing we were deprived of the services of a colleague whose high personal qualities had endeared him to all, and whose wide experience, particularly in relation to financial matters, had proved of inestimable value to the company.

To succeed Mr Shearer the directors were good enough to elect me chairman. I am indeed honoured to become chairman of this great company, and in expressing my gratification would assure you of my utmost endeavours on your behalf.

Further, we decided a few weeks ago to appoint a managing director. You are already aware that Mr E. B. Ferguson had been elected chairman of the British Insurance Association, and you will be interested to know that in July last he was re-elected to serve for a further year. This period will shortly be expiring, and your directors unanimously decided to ask Mr Ferguson to accept a seat on the board and, as our managing director, to continue to direct the operations of our extensive world-wide business. We are happy to retain his expert guidance and experience. I am also pleased to say that he will continue to be assisted by our former deputy general manager, Mr W. R. Moore, who will now act as manager of the company.

IMPORTANCE OF ADEQUATE RESERVES

Insurance from the standpoint of the policyholder enables him to make wise and sound provision against the uncertainties of life. On our part we endeavour to assess these uncertainties and turn them into reasonable risks for the company to assume, having regard to the rates and conditions obtainable and, most importantly, to the spreading of the risk by reinsurance. This has an important bearing on the establishment of adequate reserves by your company. Unless the free reserves can be systematically strengthened, your company would, in time, be debarred from assuming a proper share of the many heavy risks which insurance enterprises are required to carry. The process of building free reserves in proportion to the expansion of an efficient business is essential, although the present high world-wide rates of taxation make this difficult.

FIRE AND ACCIDENT DEPARTMENTS

The fire department has produced a very satisfactory profit of £900,000, a record amount, and it is particularly gratifying that over the past quinquennium this department has produced over £3,500,000, or an average of £700,000 a year, as compared with the previous quinquennium, when £600,000, or an average of £120,000 per annum only, was transferred.

The transfer from the accident department is £111,000, less than one-half of the 1951 figure, but in a notoriously lean quinquennium for accident business this department has transferred approximately £1,300,000, or an average of £260,000 per annum, to the profit and loss account.

Those who have followed the operations of the accident department for the past few years will be well aware that the motor section forms an appreciable part of it, and by no means a profitable one. I do not think I need reiterate that every effort is being made to obtain rates appropriate to the risk, but, as previously pointed out, there is the inevitable time lag between putting such rates into operation and receiving the benefit therefrom.

LIFE DEPARTMENT

The life department maintains its steady progress and business was completed for new sums assured of £6,550,000 net, which slightly exceeds the previous record amount obtained in 1951. Our experience as regards mortality, interest earnings, and expenses, continued to be favourable.

In view of the improved outlook for the long term rate of interest obtainable on new investments, the basis of our premiums for all the main classes of life assurance was reconsidered and, as a result, a general reduction was made in September last. The funds increased by well over £1 million.

In certain quarters the fact that the life and annuity funds of the insurance industry as a whole are large and constantly increasing seems to be a matter of criticism on the grounds that too much investment power is passing into the hands of the insurance companies and that this power could be more usefully employed in the national and public interest. We believe that we may justifiably maintain that whatever power does exist—and I may say that this does not extend nearly as far as some would have the nation believe—is used wisely for the benefit of our policyholders and with these wider interests in mind. For example, as you will see from our life funds balance-sheets, over £500,000 of the increase in funds has been invested in mortgages, reflecting the support which we, in common with other life and composite insurance offices, make available to those desiring to purchase houses for their own occupation.

MARINE DEPARTMENT

The marine transfer is £250,000, which brings the quinquennial figure up to £885,000, or an annual average of £177,000. The marine fund represents 149 per cent of the premium income and is ample to meet our outstanding losses and liabilities. It compares with last year's ratio of 140 per cent, and whilst the increased percentage relates to a reduced premium income, it is satisfactory to note that the actual amount of the fund is slightly higher than last year.

TOTAL PREMIUMS ANOTHER RECORD

Taking the fire, accident, and marine departments together, the total premiums produced another record and amounted to over £30 million, an increase of some £3 million on last year's figure. Claims keep pace with this rising income and it is necessary to set aside increased amounts as provision for unexpired risks. We are therefore unable immediately to reap the full benefit of this further expansion of our business. However, a total underwriting transfer to the profit and loss account from these departments of £1,261,000 is an impressive result of our world-wide operations during a difficult year.

Unfortunately, on the outgo side of the account you will notice that the principal item is the provision for United Kingdom taxes at no less than £1,050,000, reflecting the ever increasing burden which we are called upon to bear. As we anticipated when commenting last year on the effects of the excess profits levy, the additional amount required is entirely due to the incidence of this new tax and we therefore welcome the decision to repeal it as from January 1, 1954.

A pleasing feature is the increase of some £80,000 in respect of the gross interest, dividends, and rents. With this enhanced interest income particularly in mind, your directors were unanimous in recommending that the dividend should be increased by 2s. to 17s. per share. After making provision for the proposed dividend we are able to carry forward a balance of £1,670,000, which exceeds by £106,000 the amount brought forward.

CONSOLIDATED BALANCE SHEET

I would now draw your attention to the consolidated balance sheet, from which you will notice that the total assets of the company approach very closely to the substantial total of £75 million. As we have said in previous years, the total of the middle market values of our stock exchange securities in the general funds is still substantially above the values shown in our books, since our North American investments stand at the equivalent sterling cost at the time of purchase.

Before I close, I should like to express my appreciation of the help I have received from my deputy, Mr Tyser, and all members of the board during the year. In addition, I would not overlook the excellent work of the boards of our associated companies and the members of our local boards throughout the world. I have already expressed my gratitude to Mr Ferguson and I know that he is duly grateful for the support he has had from the other members of the executive at head office and from the branch managers, staffs, and agents, at home and overseas.

CAMP BIRD, LIMITED

MR F. C. HELEY'S SPEECH

The fifty-first annual general meeting of Camp Bird, Limited, was held on May 5th, in London.

Mr F. C. Heley, chairman, in the course of his speech, said: Once again, the year under review was a far from easy one. The profit for 1952 was approximately £48,000 less than the previous year, although the gross dividends received were £34,000 greater.

I wish to emphasise that 67 per cent of our investments are in gold and platinum mining. Some of these concerns have already entered the dividend list, and we had hoped that by the present time others would have followed suit, but such huge sums are involved in the development and equipment of new gold mines that the return to the shareholders by way of dividend is likely to be subject to considerable delay.

Nineteen per cent of our investments are in silver and base-metal mines and here the story is far from encouraging. The abnormal demand for these metals during the whole of 1951, together with the general inflation at home and abroad, were the chief causes of the high level of prices, aided by competitive bulk buying and Government control, and the cessation of this control has precipitated the heavy fall in the prices of both lead and zinc.

I regret that I have been unable to present a more favourable picture as regards our base-metal interests, but you will probably be interested to learn that the "break up" value of our assets at the end of the year under review was 20s. 7d. per share before making provision for the dividend.

The report was adopted.

NORWICH UNION INSURANCE SOCIETIES

ANNUAL MEETINGS

THE LIFE SOCIETY

Speaking at the Life Society's 145th annual meeting in Norwich on April 28th, the President, Sir Robert Bignold, said that the Society's new business was again a record at £47,383,310, an increase of over £3,200,000 on 1951.

In addition to the record volume of life assurances written last year, there had been another increase in pension scheme business.

During the year they had had nearly £11 million of money to invest and, once again, a considerable proportion, over 61 per cent, had been invested in first-class mortgages. The opportunity had also been taken to add somewhat to their holdings of British Government and Government guaranteed securities at the lower prices ruling recently, and those showed an increase of approximately £2 million in the balance sheet, the total holding forming some 12 per cent of their funds.

Over the year the total funds of the Society had increased by £7,820,033 to a total of over £94 million. The rate of interest earned was £4 0s. 4d. per cent after deduction of income tax, an increase of 2s. 8d. per cent over the previous year, reflecting the higher rates at which they were now able to invest their new money.

Once again he was glad to be able to tell them that the Society's mortality experience had been very favourable.

THE FIRE SOCIETY

At the 155th annual meeting of the Fire Society the chairman, Sir Robert Bignold, said the 1952 premium income reached a new peak figure at £14,558,960, an increase of £1,594,752. Fire premiums now totalled £6,604,715, the profit in the fire account being £801,516.

The accident income had advanced by £1,242,878 to a new record figure of £6,567,811, and against the previous year's loss of £82,000, the accident account now showed a modest profit of £120,042.

Marine premiums advanced by £199,062 to £1,386,434, and £75,000 had been transferred to profit and loss.

Net interest earnings brought in £242,807 compared with £217,173. Taxation was charged at £516,511 against £379,302; dividend required £161,700 net (same); £425,000 was transferred to the investment inner reserve.

Total assets had increased by £1,428,196 to £19,452,442.

The reports and accounts were adopted.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

TOTAL ASSETS EXCEED £100 MILLION

MILESTONE IN SOCIETY'S HISTORY

92 YEARS OF HOME SERVICE

The ninety-second annual general meeting of The Royal London Mutual Insurance Society, Limited, was held on April 28th in London.

Mr C. H. Shuttleworth, FCII, chairman and joint managing director, who presided, said:

HOME SERVICE ESSENTIAL TO NATIONAL SAVING

It is worthy of note that by their home service, the industrial assurance offices increase by some £40 million yearly the savings of the people. Thus it can be said that the part they play in assisting the restoration of this country to financial stability, and, eventually, to prosperity is a major one.

TOTAL ASSETS PASS £100 MILLION MARK

The balance sheet now in your possession indicates a landmark in the history of the Royal London, for it shows for the first time a figure of total assets of more than £100 million.

PENSION SCHEMES FOR SMALL STAFFS

The Royal London has recently introduced facilities, in its ordinary branch, for the arranging of pension schemes for small staffs; such a scheme can be devised even in a case where only one employee is to benefit.

I must again refer to the introduction just over 12 months ago of two new tables in the society's industrial branch—the guaranteed cash bonus tables. These policies undoubtedly meet a public demand, for their success has already been quite remarkable.

ORDINARY BRANCH

The premium income in the ordinary branch amounted to £3,754,000.

In August last we were able to make a further reduction in the rates of premium charged for non-profit policies.

Interim bonuses will be maintained in respect of the current year on with-profit policies becoming claims, etc., at the rate of one pound ten shillings per cent per annum.

INDUSTRIAL BRANCH

In the industrial branch the premium income for the year amounted to £8,737,000, an increase of £208,000 over the previous year.

The sums assured under new policies issued in the industrial branch during 1952 amounted to £15,986,000, an increase of £2,113,000 over the figure for the previous year.

Interim bonuses will be continued during the ensuing year at one pound per cent per annum upon the sum assured.

The year 1952 was another year of progress in the society's long history of continuous expansion. The total income of the society during the year was £16,572,000, while benefits paid to policyholders amounted to £6,603,000. The total payments to policyholders since the inception of the society amount to more than £118 million, a very large sum, which is the measure of the value of the service and security rendered to the public.

The report was adopted.

THE EMPLOYERS' ASSURANCE

BETTER U.S. RESULTS

The seventy-second annual general meeting of The Employers' Liability Assurance Corporation, Limited, will be held on May 27th in London.

The following is an extract from the circulated statement by the chairman, The Right Hon Lord Courtauld-Thomson, KBE, CB, for the year 1952:

The combined premium income of our group of companies for 1952 was £25,728,823, an increase of £2,264,938. The Corporation's underwriting profit amounted to £353,566. After making a contribution of £265,000 to the staff pension account and charging sundry other expenses of £36,418, the total trading profit was £890,877. We provide £583,783 for United Kingdom taxation, and the net profit for the year is £307,094. The dividend costs £187,576, leaving the carry forward at £750,667, an increase of £119,518 on the year.

The fire premium income has again improved from £1,812,320 to £2,104,525. Results, both in the United Kingdom and overseas, have continued to be favourable and we have a profit of £120,395, or 5.7 per cent. Our fire business in the United States continues to develop in a satisfactory manner.

The accident and general premiums have increased by £1,695,042 to £20,871,508, and by reason of the considerable improvement in our United States results, we are able to show a profit of £233,171.

Motor business, as usual, was the largest individual class, with premiums of £9,284,198, and, although the overall results were better, they still do not provide a profit. In the United States, while the general experience was rather less unprofitable than it was in 1951, our own results were considerably improved. The cost of claims is, however, still high, and only by the most exacting standards of underwriting have we been able to keep within small proportions the loss on this large part of our business. In the United Kingdom the results of our motor business, although better than in 1951, were still unsatisfactory.

Our workmen's compensation premiums have increased from £5,032,765 to £5,418,446, and we have had a profitable year's trading in this line.

The remarkable improvement in our results in the United States has brought us an underwriting profit in another difficult year's trading there. Our United Kingdom premiums increased by about 10 per cent and the total business showed improved profit. We have to record another appreciable increase in our business from overseas territories other than the United States, although the poor results of motor business have had a noticeable effect upon the results.

The Clerical, Medical and General Life Assurance Society, our associate life office, again reports progress. Its net new business at £6,718,120 is an improvement of £1,004,122 on the 1951 record of £5,713,998. The life assurance fund of £21,110,777 is up by £1,135,443.

The business of The Merchants' Marine Insurance Company, Limited, our marine subsidiary, continues to develop satisfactorily. The net marine premiums of £619,476 show an increase of £61,704, and the marine fund at the end of 1952 amounted to £814,597.

The total investments amounted to £29,529,006, an increase of £1,773,481, and their total market values showed an appreciation over their total book values.

ALLIANCE ASSURANCE COMPANY, LIMITED

RESERVES STRENGTHENED

The annual general meeting of the Alliance Assurance Company, Limited, will be held on May 27th in London.

The following are extracts from the review of the year 1952 by the chairman, Mr Anthony G. de Rothschild:

Life Department: The net new sums assured completed during the year amounted to £7,911,269, compared with £7,774,286 in 1951. The purchase money for immediate annuities, at £43,546, and the amount of deferred annuities issued, £134,803 per annum, compared with the 1951 totals of £56,923 and £147,682 respectively. Claims by death amounted to £600,677, against £692,690 in 1951, and were substantially below the sum which would normally be expected. At the end of 1952, the "Alliance" Life and Annuity Funds amounted to £27,973,901, being an increase of £1,016,916 during the year.

Fire Department: The net premiums amounted to £5,526,055, or £69,330 more than those for 1951. There was an increase in the claims, which amounted to £2,018,181, which is £397,097 more than the figure for the previous year. The surplus for the year, after provision for unexpired risks, amounts to £911,836, which has been carried to the profit and loss account.

Accident Department: The net premiums amounted to £4,972,822, compared with £4,412,058 for 1951. The surplus, after providing for unexpired liabilities, was £407,990, which has been transferred to the profit and loss account. This figure compares with £362,227 for the previous year.

Marine Department: The net premiums amounted to £2,573,618, an increase of £43,726 over those for the previous year. The underwriting account for 1950 has now been closed with a balance of £515,573 and after utilising £190,047 of this amount in order to maintain the reserve for claims falling on previous years at £425,000, the sum of £325,526 has been transferred to the profit and loss account. This balance is the highest recorded for over thirty years.

Trustee Department: The fees received in the trustee department for 1952 amounted to £18,834, being approximately £2,500 more than those of the previous year.

Investment Department: The book values of the Stock Exchange securities held in the "Alliance" life and annuity funds at the end of the year exceeded their market values by a rather larger margin than last year. However, the great majority of the investments in these funds is in definitely redeemable securities, which, in the course of time, will more than cover the present depreciation.

Profit and loss account: The following appropriations have been made:

£200,000 to the staff pension trust funds, of which £25,000 relates to the fund of a subsidiary company.

£22,000 to the widows' and orphans' fund.

£45,000 to writing down the book values of Stock Exchange securities held by subsidiary companies.

In addition to these appropriations, it has been decided to transfer £250,000 to the additional reserve in the fire insurance account, making it up to £3,750,000. Part of this transfer, viz. £139,039, is made in the accounts of subsidiary companies.

The general reserve has also been strengthened and now stands at £3,250,000. The directors have decided to maintain the dividend at the rate of 22s. per share, to which it was increased last year.

THE RUBBER GROWERS' ASSOCIATION

EFFECT OF AMERICAN POLICY

The ordinary general meeting of The Rubber Growers' Association (Incorporated) was held on May 1st. Sir Sydney Palmer, CBE, the chairman, in the course of his speech, said:

The re-opening of the high-cost alcohol-based synthetic plants, the product of which is sold at far below cost, is in large measure responsible for the present disappointing off-take of natural rubber by US manufacturers. The consequential decline in price is creating a very serious situation in South-East Asia. In the urge to ensure national security, the USA Government has unfortunately overlooked the inevitable repercussions elsewhere.

THE COMMUNIST MENACE

I would remind our American friends that national security is not only dependent on military preparedness, but also on having friendly allies with a sound economy throughout the world. There are thousands of Communist agitators throughout South-East Asia pouring out a steady flow of propaganda against the Western Democracies, and the USA in particular. There is no doubt that every time the price of natural rubber falls, thereby lowering the Asian standard of living, the Communist agents tell the humblest worker in the most remote village that it is due to American manipulation.

If our American friends think I am painting an exaggerated picture, let them take note of what has already been happening. During the past few months the Government of Ceylon has made an agreement with the Government of Communist China to obtain rice in exchange for their rubber.

Natural rubber is certainly the most important dollar earner for the sterling area. During the seven years since the end of the war, natural rubber exports to the USA have earned the sterling area $1,350 million. Taking into account exports to other dollar areas it is estimated that in the postwar period rubber has earned the sterling area over $1,600 million. In 1951, when rubber prices reached their prewar relationship with US cotton prices, rubber is reckoned to have earned $400 million. In 1952 rubber's earnings dropped by half, and in 1953 it looks as if they may be less than $100 million.

When the US Government ceases to spoon-feed industry with supplies of synthetic at call, a new situation will arise, and it will then be necessary for manufacturers and the trade to increase their working stocks of natural which are at a very low level. One day, and perhaps soon, someone will wake up to the fact that natural rubber cannot for long be available at a price which for comparable grades is lower than the price of 23 cents at which GR-S is pegged by the American Government agencies.

REVISION OF POLICY NEEDED

As the present rubber situation has arisen as a result of American policy, I would have thought it reasonable to hope that a slight revision of this policy might create a situation wherein artificial correctives were not required.

As a starting point the governments of producing areas should surely endeavour to obtain conditions of free competition between natural and synthetic rubber on equal terms. For this purpose it will be necessary to ask the American Government first of all to dispense with all restrictive practices against natural rubber.

The report and accounts were adopted.

MONSANTO CHEMICALS LIMITED

HIGH LEVEL OF TURNOVER MAINTAINED

MR EDW. A. O'NEAL, JR. ON CHANGED CONDITIONS

The nineteenth annual general meeting of Monsanto Chemicals Limited will be held on May 27th in London.

The following are extracts from the circulated statement of the chairman, Mr Edw. A. O'Neal, Jr:

The results for 1952 fell short of our original estimates in respect of turnover, and profit was well below that of 1951. Economic changes within industry both at home and abroad resulted in an emphatic shift during the year from a seller's to a buyer's market in the chemical industry. Nevertheless, the total value of goods sold was well maintained at just 3 per cent below the 1951 level and the tonnage of goods sold showed an increase of approximately 10 per cent. Especially gratifying was an increase of goods exported from 33 per cent of total sales in 1951 to 39 per cent in 1952.

CAPITAL FINANCE AND EXPANSION

In my statement accompanying the last annual report I felt able, when dealing with the prospects for 1952, to express the hope that the Government would find the majority of our expansion plans justified under their economic policies. As stockholders have been advised, and pursuant to Capital Issues Committee consent, the first £1,500,000 of a total of £3,500,000 5 per cent Unsecured Loan Stock, 1982, was issued in August, 1952. The additional funds so made available to us are reflected in the increase in our total assets as at December 31, 1952, to the record level of £12,925,629. Part of the new moneys has been employed in new plant and equipment at Newport, Ruabon and Fulmer and for increased working capital for raw material and finished goods inventories.

A sum of £478,426 was used in taking up our proportionate share of a rights issue of additional ordinary capital by Monsanto Chemicals (Australia) Limited, our Australian subsidiary.

As earlier noted, the 1952 sales turnover at £9,957,827 was close to the £10 million milestone set in our record year of 1951. This high turnover, achieved in spite of lower prices and a decline in buying, reflects excellent work on the part of the organisation in securing an increasing volume of business in markets characterised by keen competition.

So far, we have successfully met what now appears to be well-established Continental, Japanese and American competition in many of our important foreign markets, although it remains as an ever-present challenge to our ability to maintain trading volume and profit margins.

Mr A. D. Daysh, a director of our company since 1940, retired for reasons of ill-health with effect from January 31, 1953.

At the December board meeting Mr D. R. Mackie was appointed a director—Mr Mackie has been with our company since 1924.

THE OUTLOOK

We expect some of the conditions which made 1952 so difficult a year to persist. Nevertheless, as a result of measures we are taking and unless economic conditions deteriorate substantially we look forward to improved results in 1953 in both the company and its subsidiary and associated companies. In viewing the future, I must again emphasise that if high taxation continues it

will make it more and more difficult to find the funds required to foster development and expansion to maintain our industry in a world competitive position.

I therefore welcome the reinstatement of the system of initial allowances and the ending in 1954 of the EPL as a step in the right direction.

HAMBROS BANK

CHANGED ECONOMIC SITUATION

MR R. OLAF HAMBRO'S STATEMENT

The forty-first annual general meeting of Hambros Bank Limited will be held on June 4th, at the offices of the bank, 41, Bishopsgate, London, E.C.

The following is the statement of the chairman, Mr R. Olaf Hambro, circulated with the report and accounts for the year to March 31, 1953:

I again enclose, as has been my practice for some years past, my comments on the year of account which covers the period from April 1, 1952, to March 31, 1953.

The figures themselves portray the changes that have taken place in the economic situation of the country. The year commenced with a budget which was designed to restrict credit expansion by raising interest rates coupled with deflationary measures in restricting imports and withdrawing foreign credit. In fact the government, wisely in my opinion, applied the brake on the machine with the inevitable slowing up of the wheels of industry and trade but, while brakes are meant to be applied to slow up too rapid a motion, they may permanently damage the machine if they are kept on too long and the Chancellor of the Exchequer has seen this and is wisely releasing them.

EFFECTS OF BUDGETARY POLICY

The effect of last year's policy on this bank is seen by a drop of approximately £2,400,000 in acceptances and £7 million in deposits. As a large part of our deposits are related to the credits which we are able to put at the disposal of our foreign clients, the drop in one naturally follows the other, aggravated as it is by the growing shortage of sterling abroad, a shortage partly created by the action of the government to which I have referred and by the drastic reduction of imports into the country. This has naturally had its repercussions on the trade between this country and the countries with which we are most closely associated, Norway, Denmark, Sweden and Finland, but I am happy to say that, in spite of these difficulties, our relations with our clients in these countries have remained active and still form the major part of our overseas business. We have also been able to increase our turnover with our good friends in Italian banking circles.

Other changes in the balance sheet are not important. The drop in gilt-edged results from the repayment of short bonds, against which there is a rise in the Treasury bill holding. The total of the loans and advances stands at about the same ratio to deposits as last year, and the cash, bills and gilt-edged, all of which are short and medium dated, produce a figure of 81.5 per cent of our deposits, showing again a strong liquid position.

BURDEN OF COSTS AND TAXATION

Although the total of the balance sheet is smaller, the margin of profit is slightly higher, but the present costs and taxation weigh very heavily and tend to reduce the amount available for transfer to inner reserves, which are, and I hope always will be, the great strength of British banking.

With regard to the consolidated balance sheet, Hambros Investment Trust, Limited, has had a successful year, and the valuation of the securities shows an increased reserve over cost. The Bishopsgate Trading and Export Company, Limited, has increased its capital during the year and drops out as a subsidiary company, but remains closely associated. The Hambro Trading Company of America Inc. has ceased its activities in some lines which were found to be unremunerative, and is concentrating on its automobile division and one or two smaller lines which are being successfully handled.

IMPROVING INTERNATIONAL RELATIONS

In the year ahead of us we are encouraged by signs of better international relations, bringing the hope that all the wasted effort at present being spent by the nations on armaments may cease and be diverted to peaceful construction. At the same time we must expect some difficulties in those industries which have, for many years, been geared to the production of armaments and ancillary products, the consequence of which may be considerable trade dislocation.

Certain changes in the management have taken place during the year. Mr Plucknett retired as manager, and I am glad to say has accepted a seat on the board, where his great knowledge and experience will be most useful. Mr Crawford also retired, but has agreed to continue to advise us on all matters connected with taxation. We have now appointed a team of managers, consisting of Mr Martens, Mr Clark, Mr Stone, Mr Purton and Mr Pennington, and I wish them all success in their new positions.

Once again I tender my thanks to the staff for their loyal co-operation and work on behalf of the bank.

The income of the group for the year was £1,481,716, compared with £2,892,987 in 1951. The group profit carried forward to the appropriation account was £261,785. After providing for parent company's dividends, there remains to be carried forward to 1953 £1,270,720 for the group, as compared with £1,272,371 at the end of 1951.

HAMBROS BANK LIMITED

Head Office: 41, Bishopsgate, E.C.2.

Statement of Accounts, 31st March, 1953

Liabilities	£
Current, Deposit and other accounts	45,375,675
Acceptances	15,629,427
Paid-up capital	3,000,000
Reserve	2,250,000
Assets	
Cash in hand, at bankers and at call	23,331,550
Bills of exchange	5,083,212
British government securities	4,104,063
Loans, advances and other accounts	11,762,589
Investments in subsidiaries	2,284,152
Liabilities of customers for acceptances	15,629,427

UNITED BISCUITS, LIMITED

SALES AGAIN LARGER

The fifth annual general meeting of United Biscuits, Limited, will be held on May 28th at Edinburgh.

The following is an extract from the statement by the chairman, Mr Peter G. Macdonald, WS, JP, circulated with the report and accounts for 1952:

It is now five years since the well-known household names of "McVitie & Price" and "Macfarlane Lang" were linked together as the "United Biscuits" group. Each have behind them more than one hundred years of experience in the making of biscuits and many advantages have been achieved by the amalgamation, as the figures in this report testify. Our programme of modernisation of plant and improvement of processes continues to the fullest extent permitted by the restrictions and shortages of the postwar years. The major extension to one of our Scottish factories, referred to in my statement last year, should be completed and in production within the current year. We are gradually building up and consolidating our export trade.

Our sales have again shown a considerable increase not only in money value but also in tonnage of output. Sales in 1952 amounted to £7,600,000, as compared with £6,200,000 in 1951 and with £3,850,000 five years ago. Cost of ingredients and expenses have risen but in spite of this there remains a satisfactory margin of profit. The profit before providing for taxation, as shown in the consolidated profit and loss account, amounted to £795,367 (1951—£654,672), and although the government is the chief beneficiary, this achievement affords satisfaction to directors and workers, as well as, I hope, to shareholders.

Income tax and profits tax in 1951 required the sum of £369,424. In 1952 the additional imposition of excess profits levy, a tax deplored by all business men, was added to the burden which a progressive company such as yours has to bear. In all, a total of £504,904 will have to be paid out of the year's profit of £795,367 to meet these taxes which are steadily draining the life blood of industry. The reliefs announced in the recent incentive budget proposals, including the abolition of excess profits levy at the end of 1953, mark, I hope, an encouraging start in the reduction of the present far too heavy load of taxation.

DIVIDEND RAISED TO 10 PER CENT

There remains after taxation a balance of £290,463 (1951—£285,248). Your directors recommend a final dividend on the ordinary shares at the increased rate of 7 per cent, less tax, making a total of 10 per cent for the year, as against 8 per cent last year.

It is satisfactory to record that 1953 has started well. We all welcome the announcement that the government is soon to take steps to end sugar rationing and allocations to manufacturers. Your directors hope that before the year is out the Ministry of Food will also find it possible to free fats from government control.

Wages and freight charges are above the level of last year and flour prices have recently been increased. Marketing conditions are becoming increasingly competitive and while the export trade is already a buyers' market the home trade is rapidly becoming the same. I feel sure, however, that with our experienced manufacturing and selling organisations we can look forward with confidence to the more competitive times ahead of us.

BABCOCK & WILCOX

RECORD VALUE OF EXPORT CONTRACTS

MR W. LIONEL FRASER ON THE COMPANY'S SOUND POSITION

The fifty-fourth annual general meeting of Babcock & Wilcox Limited will be held on May 28th in London.

The following is an extract from the statement by the chairman, Mr W. Lionel Fraser, CMG, which has been circulated with the report and accounts for the year ended December 31, 1952:

On behalf of my colleagues and myself, let me express, at the commencement of this review, our sincere thanks to the staff and operatives, men and women, in your company and in the subsidiary companies and branch offices, at home and throughout the world. Your directors acknowledge with gratitude their efforts and their support, and are ever mindful of the interests of all staff and operatives. Relations with all employees are very good, as they always have been.

After setting aside sums for depreciation, providing for UK taxation and making other necessary adjustments, the balance standing to the credit of the consolidated profit and loss account is £1,410,048. The preference dividends, less tax, required £49,955 and your directors now recommend that a final dividend of 7½ per cent, less tax, plus a bonus of 3 per cent, less tax, be paid on the ordinary stock, absorbing £289,689, making 18 per cent for the year. Your board further recommend that the sum of £600,000 be transferred to general reserve, which, together with amounts placed to reserve in the accounts of the subsidiaries, makes a new figure of £6,442,263 for general reserves. It is also recommended that the sum of £100,000 be transferred to research and development reserve.

The effects of present-day high replacement costs of plant and machinery and buildings, to which I referred last year, have continued to engage the attention of your board. As a further instalment towards making provision for these increased costs, the sum of £576,809 has been set aside before arriving at the trading profits of the group for the year and has been added to the capital reserves shown on the balance sheet.

TAXATION

Stockholders will be interested to know that United Kingdom taxation on the profits of the group, for the years 1946-1952 inclusive, exceeded the staggering figure of £12¼ million, and this during a period when your company was striving to re-equip its works to meet ever more testing business conditions: taxes in 1952 itself were particularly burdensome.

It is, therefore, an immense relief, and very enlivening, that the Chancellor of the Exchequer should have felt able in his Budget proposals to take the first bold step to reduce tax burdens.

BANK OVERDRAFT

Stockholders will recall that in my two previous statements mention has been made of the bank overdraft of the group. At the end of the year this had risen to approximately £3,200,000, and the matter has again claimed the special consideration of your directors. Having regard to the rising cash requirements involved in this period of inflation and high production at home and overseas, and to the probability that these conditions may prove to be abnormal, they have decided that it is in the best interests of the company that the position should continue to be financed by means of temporary bank advances. This decision has been taken despite the possibility that the level of output which your company is likely to reach during the next two or three years may well involve financial needs much greater than those which have been necessary hitherto.

PRODUCTION

The past year has been very trying, and those who are responsible for the management of your company have had many problems to meet, not the least being those caused by shortage in the supplies of steel and other components required for our manufacturing processes. This was especially felt in the first three quarters of the year, and it was not until the latter months that some signs of slow improvement were noticeable. Even then there was no appreciable betterment in the deliveries of certain types and qualities of steel, the lack of which still gives rise to anxiety.

In the circumstances, your directors regard the figures of turnover and trading profit as satisfactory.

RESEARCH AND DEVELOPMENT

Looking to future developments, there can be little doubt that the efficient utilisation of coal and other fuels will remain the predominant factor in steam generation, and research and development in combustion, as well as in all other methods by which power may be produced, continue to hold a prior place in the attention of all those responsible for the destiny of your company.

EXPORT

It is pleasing to note that contracts secured for export surpassed in value those gained in any previous year. This was accomplished in spite of keener world competition.

OVERSEAS INTERESTS

In many countries in which we already had well-established markets, a demand has developed, from time to time, to establish local engineering industries, and in such cases it is your board's policy to set up subsidiary works. Since my last review, it has been decided to commence manufacturing in both Brazil and Mexico, and in this way we expect not only to retain but to enlarge our markets in those countries.

Marine: The marine department has had some notable orders, and during 1952 boilers were commissioned in more than a quarter of a million tons of shipping.

GENERAL REVIEW AND PROSPECTS

It is manifest that the sellers' market for the products of your company has gone, as indeed it has for the greater part of British industry. Nevertheless, the volume of orders on hand, both in this country and for export, is very encouraging, and, needless to say, the new conditions are being tackled with the utmost energy. Your company's business extends over most parts of the world and the additional responsibilities and hazards which that must entail present a direct challenge to all concerned.

I am satisfied that your company is in fine shape. Stockholders can have confidence in the future and can anticipate a continuance of good trading figures for the years immediately ahead.

DARWINS

YEAR OF SUBSTANTIAL PROGRESS

The twenty-fourth annual general meeting of Darwins Limited was held on May 5th at Sheffield, Mr F. Thompson-Schwab (the chairman) presiding. The following is an extract from his circulated statement:

The year has been one of substantial progress throughout the group, a record tonnage of steel having been produced. Record outputs were also achieved by the cogging and bar rolling mills, forges, foundry and magnet department. The year has also seen the continuance of expenditure on much needed maintenance work. The cost of maintenance must, of necessity, always be a heavy burden in steel works such as comprise the Darwins group of companies, if production is to be kept up to its highest level. Any undue economy would be extremely hazardous and shortsighted. Undue economy would also be shortsighted with capital equipment. Quality of product must always be one of the main factors in meeting competition and our position in the field of quality can only be maintained by continuing to install the most modern plant. We are continually seeking for improved methods of production and new additions have been and will continue to be made so far as the resources of the group permit.

The other important factor which we must watch at all times is price. As is well known, market conditions during the last few years have been such that producers have enjoyed considerable advantages when fixing selling prices, but this state of affairs is changing rapidly. We shall discover this when the full onslaught of Continental and Japanese competition is felt in the steel trade. To meet such competition it is necessary to attain the highest possible degree of efficiency and you may be assured that your company is playing its part in this respect.

INCREASING DEMAND FOR ALLOY STEELS

This group of companies specialises in the production of all types of high-grade steels. In this connection it is interesting to note that the demand for alloy steels is steadily increasing and, in fact, in 1952 the country's output increased by 80 per cent., compared with the year 1946. Your company is contributing to this increase in no small measure.

Particular attention is being paid to export trade, the turnover of which increased by over 30 per cent in 1952, compared with 1951, in spite of the Government restriction on exports which, unfortunately, still continues.

DIVIDEND AND BONUS

From the profit figure we have to allow no less than £293,900 for taxation. We propose a final dividend on the ordinary shares of 8 per cent actual (less tax), making, with the interim already paid, a total of 12 per cent actual (less tax). The directors also feel justified in recommending an additional distribution in the form of a bonus of 2 per cent actual (less tax).

If these proposals receive the approval of shareholders, we shall be paying out a total of £43,373, which will enable us to augment our reserves by £50,000 and increase the carry forward to £37,608.

The year 1953 has started satisfactorily. There are signs of increasing competition and some diminution in demand for some of our products, but your board faces the future with confidence. We cannot promise that the 1952 profit figure will be maintained, but we see no reason to suppose that we shall not be able to present to you satisfactory results when next we meet.

The report was adopted.

BRITISH ALUMINIUM

IMPROVED PRODUCTIVE EFFICIENCY

The annual general meeting of the British Aluminium Company, Limited, was held on May 5th in London.

The Rt Hon Viscount Portal of Hungerford (the chairman) in the course of his speech, said: The consolidated income for the year after tax amounts to £676,705. This compares with £906,028 for the previous year.

As you will have observed from the accounts, taxation has taken an increasingly heavy toll, but it is encouraging that in his recent Budget the Chancellor has taken some steps to lighten the intolerable burden of taxation.

The very firm demand for our rolling mill products which had persisted throughout 1951 continued through the earlier part of the year under review, but during the second half trading conditions were by no means so easy or satisfactory. A number of factors contributed to the reduction of our business and eventually made it necessary towards the of the year to curtail production at our rolling mills.

So far as our own production of virgin aluminium is concerned, we have, as from January 1st this year, been released from the obligation to sell to the Government and repurchase. This decision not only does away with the somewhat cumbersome procedure which has had to be followed in the past 14 years.

Our production of virgin aluminium during the year under review was slightly greater than in 1951. This increase actually indicates considerably improved efficiencies which we are now obtaining from our work of modernisation at Lochaber and Kinlochleven, since two unavoidable factors operated to reduce output during the year.

CURRENT YEAR'S TRADING CONDITIONS

In the early months of 1953 trading conditions were more difficult than they have been for many years. There are recent signs that the recession in our industry is becoming less severe, and in order to stimulate trade to the greatest possible extent we have, since the recent decrease in the price of ingot, introduced considerably greater reductions in prices for basic and larger quantities of sheet and strip in pure aluminium and medium strength alloys. On the other hand, we have found it necessary to increase the differentials charged for small quantities, which remain unaltered since 1948, to compensate for the much greater cost of manufacturing small items. However, we have already absorbed other increases in the cost of raw materials and services outside our control and our profit margins are accordingly reduced.

Development work has continued actively, and we have every reason to be optimistic as to the long-term future of our metal. Perhaps one of the most encouraging features has been the great improvement effected in welding techniques.

The total consolidated profit for the year is £2,460,991 compared with the corresponding figure in the previous year of £2,549,068, a reduction of £88,077. We recommend a final dividend of 6 per cent on the ordinary stock which, with the 4 per cent already paid, makes 10 per cent less tax, for the year. We also recommend payment of a cash bonus on the ordinary stock of 2 per cent, less tax. This leaves £431,205 at credit of profit and loss account of the parent company; an increase of £7,388.

The report was adopted.

DOMINION STEEL AND COAL CORPORATION, LIMITED

MR L. A. FORSYTH'S SPEECH

The annual meeting of this company was held on May 1st at Montreal.

Mr L. A. Forsyth, QC, the president in the course of his address, said: The net profit, after taxes, amounts to $4,197,875.70, a decrease of $1,255,956.81. Regular quarterly dividends at the rate of 25 cents per share on the outstanding ordinary shares of the Corporation were declared during 1952, in a total amount of $2,079,666. Since the close of 1952 one quarterly dividend of 25 cents per share has been declared and paid.

The balance at credit of earned surplus account was $28,636,434.72, showing an increase over the previous year's balance in the sum of $2,118,209.70. This account has been increased by a total of $24,700,043.34 since December 31, 1941.

Notwithstanding this substantial addition to its surplus, capital expenditure absolutely essential to keep pace with operating requirements has, as the statements submitted to this meeting demonstrate, obliged the management to resort to borrowings for necessary funds from time to time and there is every indication that additional financing must be undertaken at an early date.

Production of steel ingots at our Montreal plant showed a slight increase, less than one per cent, over that of the previous year. At Sydney, where our principal steel-making operation is conducted, production of ingots was 8.5 per cent lower than in 1951. This decrease is wholly due to indifferent blast furnace performance during the last quarter of 1952. Total sales of our products showed an increase of about 4.5 per cent over the figures for 1951.

It is not difficult to extract from the course of current events, at home and abroad, signs and portents which justify a cautious, though not necessarily pessimistic, appraisal of future prospects for our industry. In the international situation as it has developed recently, there are indications of a lessening of tension, perhaps not altogether justified, which may have a significant influence upon steel demand.

Any reduction of the pressure of defence demands would undoubtedly make available additional supplies for civilian consumption. Whether the requirements of an undoubtedly rapidly expanding Canadian economy would bridge the gap created is a debatable question.

Whatever the answer to that question, there can be little doubt that all of us would welcome the opportunity to build the future of this industry upon the foundation of a sound and lasting peace. Competition from abroad in our domestic market is becoming daily a more significant factor in certain lines of our products.

Conceding the impossibility of trading with others unless we trade with them, we do, nevertheless, face problems arising from lower living standards in other countries. Difficult as these problems are, there are few of them that cannot be solved by greater efficiency and skill, concentration on quality, and lastly by industry at least as great as that practised in other lands.

This Corporation is rapidly approaching a stage in its history when it can be said that it now provides complete facilities for adequate performance of its functions. I believe, therefore, that its shareholders may, barring unforeseeable economic calamities, look forward with confidence to its future.

The report was adopted.

ASHANTI GOLDFIELDS CORPORATION

IMPROVED CURRENT OUTPUT

BUDGET TAXATION BENEFITS

The fifty-sixth annual general meeting of Ashanti Goldfields Corporation Limited was held on May 6th in London, Major General Sir Edward L. Spears, KBE, CB, MC, FInstD (chairman and managing director), presiding.

The following is an extract from his circulated statement:

From November 2, 1951, permission was given with effect from October 1st for 40 per cent of our production to be sold on the free market and from May 1, 1952, we were allowed to sell all the gold we produced in this way.

Though our profits subject to taxation have fallen by £224,999 to £850,927, the total charge to taxation is no less than £518,204 compared with £611,500. We recommend a final dividend of 1s. per unit of stock, making a total of 2s. for the year. This maintains the dividend at the same rate as last year.

I referred last year to the difficulties we had experienced in maintaining gold production. These difficulties were overcome by April, 1952, and we expected to produce 180,000 ounces of gold during the year. These hopes were frustrated by a series of unofficial strikes, the most serious of which occurred in July and lasted for twelve days. It was largely due to this that there was a drop of 22,426 gold ounces produced compared to the previous year. There has been a considerable improvement in recent months.

With the exception of continued good values on No. 27 Level, development work done during the past year did not produce outstanding results. Since the close of the year, however, we have had some encouraging news.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said: Thanks to the Budget, I feel considerably happier than when I wrote the speech which has been circulated. We shall not obtain anything substantial in the way of reliefs in the current year, but in 1954 we shall benefit considerably. For a long time I have been deploring the burden of taxation which falls upon mining companies operating abroad but domiciled here. I am grateful to the Chancellor for what he has done to help us, but I hope that this is only a first instalment.

The position at the mine continues to be satisfactory. Output is increasing steadily, and the rate of 25,000 tons a month is within sight. The amount of gold produced in the first six months, 89,500 ounces from 136,500 tons treated, is in accordance with our plans. Development results continue to be most encouraging.

The northerly zone in the region of crosscut No. 105 has been proved over a width of 250 feet at an average width of 44 feet, with values of 7.5 dwt. per ton. At the south end of the drive values have been exposed over more than 300 feet and over a width of 40 feet they average 10.5 dwt. In both cases the lateral development is incomplete, and no information is yet available as to how the values extend below No. 12 Level, but on No. 10 Level which is being driven from Ayeinm to cover these areas values averaging 10.7 dwt. over a width of 15 feet have now been reported in crosscut No. 23 North, which is directly above the northerly zone. The general indications are that a considerable tonnage of mineable ore will be developed.

The report was adopted.

THE TELEGRAPH CONDENSER COMPANY

TURNOVER AGAIN A RECORD

The twentieth annual general meeting of The Telegraph Condenser Company, Limited, was held on May 7th in London, Mr P. V. Hunter, CBE, Hon. MIEE (the chairman), presiding. The following is an extract from his circulated statement: Although the 1952 profit on trading was the highest yet achieved, profit after taxation showed a considerable reduction compared with 1951. The introduction of the Excess Profits Levy, which is not allowed as a deduction in computing income tax liability, has necessitated making provision for additional taxation out of all proportion to the modest increase in profits earned.

Completion of the extension at the Bathgate factory, at which production commenced during the second half of 1952, accompanied by a satisfactory rate of production at both main factories, enabled output to be maintained throughout the year at a high level. Increased production facilities, which helped us to overtake the backlog of orders which accumulated during 1951, now enable us to give very favourable delivery of all but a few of our products. Your directors are satisfied that the company's present production facilities are sufficient to meet any foreseeable demand for our capacitors.

SALES

Turnover exceeded 1951, itself a record year, by a substantial percentage. This increase is only reflected in the trading profit to a very modest extent, as higher labour and material costs, coupled with keener selling prices, narrowed the profit margin on many of our products. This trend is likely to continue during 1953.

This is Coronation year and, subject to the requirements of the defence programme, it can be expected that the sales of Television receivers will be very considerable. Your company's products figure largely in such equipment, but, unfortunately, due to competitive policies, the prices from such business are not likely to be remunerative.

A reduction in turnover during the current year seems inevitable. Many of our customers, particularly those manufacturing domestic electrical appliances, have been badly hit by closed markets abroad, and until these markets are reopened we cannot anticipate any substantial increase in demand for components.

Contrary to expectation, export turnover was maintained approximately at the record level of 1951, but this was achieved only by reducing substantially the value of our order book. Old-established and valued customers in some of our most important export markets were prevented from buying from us either because of lack of sterling or because of a restrictive import policy. Continuation of present conditions may well lead to the permanent loss of export markets which it has taken years to establish.

Your company is well equipped, both financially and technically, to endure temporary setbacks in trading conditions, and if the latter become no worse during the year, it should be possible to earn a reasonable trading profit.

Your directors propose to make a further issue of "plough shares" by capitalising £50,000 of the general reserve and applying this sum in paying up in full 100,000 new ordinary shares of 10s. each to be issued credited as fully paid up to ordinary shareholders in the proportion of one new ordinary share for every five ordinary shares held.

The report was adopted.

MAPLE & COMPANY

RECORD VOLUME OF EXPORTS

MR C. C. REGNART ON EFFECT OF BUDGET PROPOSALS

The sixty-third annual general meeting of Maple & Company, Limited, was held on April 30th, in London, Mr C. C. Regnart, the president, presiding.

The following is an extract from his circulated statement:

A year ago I told you that overheads were still rising, whilst profit ratios were static. These conditions continued to a great extent throughout the year, and have been largely responsible for reduced profits, in conjunction with the failure of the Board of Trade to implement until December the "D" Scheme for Furniture announced by the Chancellor in his 1952 Budget statement, resulting in eight months' uncertainty and confusion, and a considerable recession in trade.

However, now the scheme is in operation and our industry is freed, I am sure that the return to competitive buying and individuality in design will lead to better trading.

Like all other retail businesses the turnover for the first half of 1952 showed a sharp decrease. Unlike the general stores, however, this company did not have the advantage of a "bumper" Christmas trade as it appears was enjoyed by stores generally, thus enabling lost leeway to be made up which indeed, in several cases, was exceeded, although our January sale, the first since the war, was a great success and brought us many new customers.

Trade did improve, however, in the second half of the year and our present figures to date are showing a tendency in this direction.

Our difficulties, I must add, were also aggravated by the constant reduction in the cost of basic materials and also by the introduction of the "D" scheme on textiles last April, which necessitated important downward adjustments to selling prices, both in fabrics, linens and blankets, while a further reduction in the price of carpets had to be faced. I believe that basic prices are today more healthy and stable than they have been for some time.

I cannot emphasise too strongly that this business has been built up for more than a century by supplying the public with furniture of good value, and that no minimum standard is required to educate our buyers as to the quality required by this organisation. Our buyers are very zealous in their efforts to see that all goods displayed are well above these proposed new minimum standards.

Exports: Here I am more than pleased to record that our efforts have been nobly rewarded as these have proved a record, and we have sent goods during the past year to no less than 70 different countries, with a total figure far in excess of ever before.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting the chairman said: You will no doubt be interested to hear from me how the recent Budget proposals are likely to affect your company. I should first like to emphasise that every reduction in Purchase Tax should result in a greater volume of business, as, whenever prices are reduced it enables an additional section of the community to become buyers. On the other hand, reductions under present condition involve companies such as yours in considerable losses. We, as you will see if you turn to the consolidated accounts, carry a stock of very nearly £2 million, and although this is considerably less than last year's figure, the difference is largely reflected by reduced costs.

It is our policy to give our customers the benefit of reductions in this tax whenever announced by the Chancellor, but I think you will agree it is nothing short of a public scandal that the retailer has to shoulder the whole burden of these concessions, which are intended to be collected from the public. It does not cost the manufacturer a penny, but falls exclusively on the retailer. I estimate that it will cost your company at least £20,000.

It is estimated that the recent Purchase Tax changes will cost retailers altogether £25 million, and I am glad to know that Mr W. Stevenson, the deputy secretary of the National Chamber of Trade, is taking up the matter once more on behalf of the 70,000 registered retailers, who are being made to lose this money unjustly.

There is no doubt that Customs and Excise should devise a scheme whereby the distributive trades should be protected from such unfair transactions.

With regard to the welcome proposal to reduce the standard rate of Income Tax to 9s. in the pound, I am pleased to report that your board has taken early advantage of this by deducting the tax from your dividend at the new rate.

It would be unwise for me to enlarge upon what I said in my statement with regard to the future, but I can say that since Easter the number of customers entering the store shows a considerable increase on the figure for the same period last year, and this gives me great confidence.

The report was adopted.

THE SEA INSURANCE COMPANY, LIMITED

MAJOR A. HAROLD BIBBY'S REVIEW

The seventy-seventh annual general meeting of The Sea Insurance Company, Limited, was held on May 5th in Liverpool. A statement by the chairman, Major A. Harold Bibby, DSO, DL, had been circulated with the report and accounts for the year ended December, 1952.

The chairman referred to the acquisition of the Beacon Insurance Company, Limited, which took effect as from January 1st this year and mentioned that while no startling results will be seen immediately, the managements of the "Sea" and "Beacon" have already achieved a large measure of integration which will result in economy of operation in the future. Dr C. E. Golding, LLD, FCII, chairman of the Beacon has joined the Sea Company board and Mr H. L. R. Matthews, a director, and Mr H. F. Jackson, general manager of the "Sea" have been nominated to the "Beacon" board. The "Sea" Midlands local board has been strengthened by the addition of Sir Wilfrid Martineau, MC, TD, MA.

Turning to the accounts, Major Bibby reported that the total premium income of the company amounted to £3,907,569, a small increase on last year.

The 1951 marine underwriting account has been closed after charging £582,885 to meet outstanding claims, and a credit balance of £155,936 has been transferred to profit and loss account, together with £50,000 from past provisions no longer required.

The premium income of the fire department amounted to £1,122,802 and the profit of £82,295 has been transferred to profit and loss account.

The accident department premium income at £688,056 shows a slight increase on the previous year though the year's working has resulted in a loss of £17,643.

In the profit and loss account £275,000 has been reserved for United Kingdom taxation as against £150,000 last year. The difference is mainly accounted for by the settlement of outstanding enemy debts and the tax payable thereon.

A final dividend of 15 per cent was approved, making 25 per cent for the year, against 22½ per cent last year. The total assets now stand at £6,963,528 and the market value of the investments is substantially in excess of the figures shown in the balance sheet.

Major Bibby paid tribute to the work done during the year by the company's agents at home and abroad and the meeting closed with a vote of thanks to the chairman and directors also officers and staff of the company.

ROLLS RAZOR LIMITED

ENTHUSIASTIC RECEPTION OF NEW RAZOR

MR A. COLIN KINGHAM'S REVIEW

The twenty-fifth annual general meeting of Rolls Razor Limited was held on May 5th at Cricklewood Broadway, N.W., Mr A. Colin Kingham, MC (chairman and managing director), presiding.

The secretary, Mr W. C. Stubbs, read the notice convening the meeting and the report of the auditors.

The following is the review by the chairman which had been circulated with the report and accounts:

The directors' report and accounts for the year ended December 31, 1952, are presented herewith. On October 11, 1952, the firm attained its 25th anniversary and special celebrations were held to honour everyone who had completed a quarter of a century's service with the company.

The consolidated profit and loss account for the past year shows a fall in trading profit and a consequent reduction in the net profit as compared with 1951 of £22,241 after provision has been made for taxation and all other charges. Apart from a small reduction in sales in the home market, the principal factors which have contributed to the profit reduction are rising costs due to wage and other increases, expenditure on research and promotion necessitated by the placing on the market of the new VICEROY DRY SHAVER, as well as the more recent introduction of a new model ROLLS RAZOR known as THE VISCOUNT, and the heavy expenditure attaching to the removal of our dry shaver staff, machinery and plant from the Cricklewood factory to our new factory at Hemel Hempstead.

The foregoing facts also partially account for the change which has taken place during the year in the cash situation shown in the consolidated balance sheet resulting in a net liability of £57,692. Additionally, however, there has been some heavy expenditure on plant replacement, and you will observe a substantial increase in our total stocks. This latter arises from an increase in the finished stock, trading having now returned to a more normal position compared with the past few years when demand outstripped production and stocks could not be accumulated.

After providing £76,638 for United Kingdom taxation and leaving £3,487 profit in subsidiaries we bring in £15,973 from the previous year making available for distribution £59,864, out of which the preferred ordinary dividend takes £7,875. Subject to your approval, the balance will be allocated by paying a dividend on the deferred shares of 33⅓ per cent which takes the same amount as in the past 7 years, transferring £10,000 to general reserve and carrying forward £15,739.

EXPORT SALES MAINTAINED

During the year under review, markets for most products such as ours changed from a situation in which consumer demand was continually ahead of production into a more usual state in which the goods were readily available for sale. Purchase tax and the high cost of production naturally have a considerable braking effect on sales, but our export markets have maintained their position admirably and we have every hope that this situation will continue through the current year.

I have previously referred to the removal which took place during 1952 of staff, plant and equipment for the manufacture of VICEROY ELECTRIC AND NON-ELECTRIC DRY SHAVERS from our Cricklewood factory to the new one at Hemel Hempstead. New houses and flats have been provided by the Hemel Hempstead Development Corporation and I am glad to report that the staff speak very highly of the healthy and happy conditions under which they are now living. In fact, it would be difficult to find more ideal working and living conditions.

I also referred earlier to the fact that a new ROLLS RAZOR had recently been placed on the market and this model, known as THE VISCOUNT, is now on sale in place of the Imperial model, which is being withdrawn after 25 years' service. The fundamental basis of the razor is unchanged, but its construction and appearance have been considerably improved. It is having an enthusiastic reception from all our markets and the favourable comments received to date lead us to believe it will have a great future.

The directors again take this opportunity of thanking the staff and employees for the excellent work they have done during the past year.

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

The retiring director, Mr Edward Hill, FCA, was re-elected and the other formal business having been duly transacted, the proceedings terminated.

POWERS-SAMAS ACCOUNTING MACHINES

The annual general meeting of Powers-Samas Accounting Machines Limited was held on May 4th in London.

Col. A. T. Maxwell, TD (the chairman), who presided, said:

The year 1952, in spite of its many and recurring difficulties, has proved reasonably satisfactory. After providing £44,800 more for taxation at £389,000 on pre-1953 Budget rates the available profit amounts to £284,300 as compared with £308,034 last year.

The not unfavourable trading results were made possible by record deliveries of punched card equipment and ancillary products from our factories. Equipment and services invoiced in 1952 in the home and overseas markets reached an all-time record.

This year has seen the successful culmination of special research which concentrated on combining the striking potentialities of electronic working with the needs of the office machine. This development has not been directed to the manufacture of "electronic brains" but to the production of machines which possess the high speed of operation afforded by electronic working and a full degree of adaptability. They must also be possessed of that accuracy and reliability which always has been—and is still—such a characteristic of the Powers-Samas punched card machines.

Powers-Samas punched card equipment is to be found performing essential functions and assisting managements in no less than 30 countries of the world.

The report was adopted and the total dividend distribution of 2s. 3d. per share was approved.

HER MAJESTY'S COLONIAL SERVICE

Applications are invited for the following post:

An Assistant Registrar of Statistics, Federation of Malaya, is required to supervise the collection and compilation and the analysis of statistical data. The appointment will be on three years' probation for permanent and pensionable employment. Salary $456 per mensem, rising annually by $36 per mensem to $1,200 per mensem, plus a pensionable expatriation allowance rising from $130 per mensem to $260 per mensem, and a temporary variable non-pensionable cost-of-living allowance. Government quarters are provided, if available, at rents varying between $15 per mensem and $60 per mensem according to class. ($1 = 2s. 4d.) Married officers may have their wives and children with them subject to the limitations of shipping conditions. Free passages are provided for an officer and his wife and children under the age of 10. Married officers are eligible for an additional non-pensionable allowance varying between $40 per mensem and $185 per mensem according to his salary and whether he has dependent children. Salaries paid in Malaya are subject to local taxation including income tax. Candidates should possess a First or Second-Class Honours Degree in Statistics or Mathematics, Economics or other appropriate main subjects combined with Statistics and should be under 40 years of age.

Intending applicants should write to the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, giving brief particulars of age, qualifications, experience, etc., quoting CDE.59/60/01.

YOUNG Administrator (31), B.A. (Hons. P. and E.), ex-RAF pilot (F/Lt.), determined to proceed to Canada in search of broader horizons, invites employment by British concern in Montreal branch. Enthusiastic on scientific business method, versatile, cultured, energetic.—Box 245.

UNIVERSITY COLLEGE OF NORTH WALES, BANGOR

APPLICATIONS ARE INVITED for the post of Assistant Lecturer in Economic Statistics, with special reference to Survey Work. The appointment will date from October 1, 1953. *Twelve copies* of the application should reach the undersigned, *from whom further particulars* may be obtained, not later than May 25, 1953.

KENNETH LAWRENCE,
Secretary and Registrar.

SCHOOL OF ECONOMICS, DUNDEE

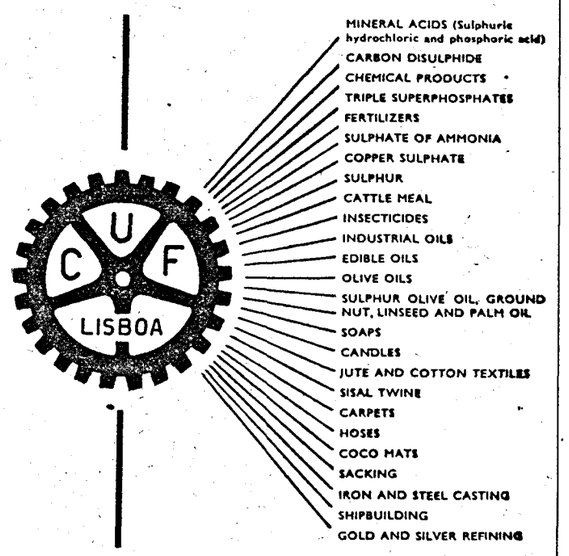
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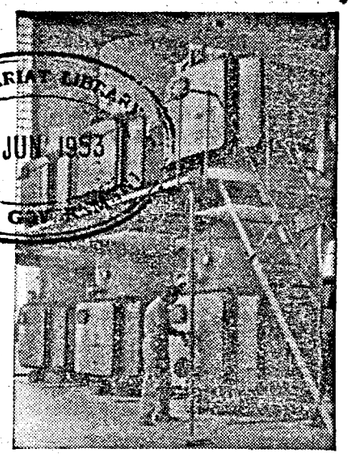
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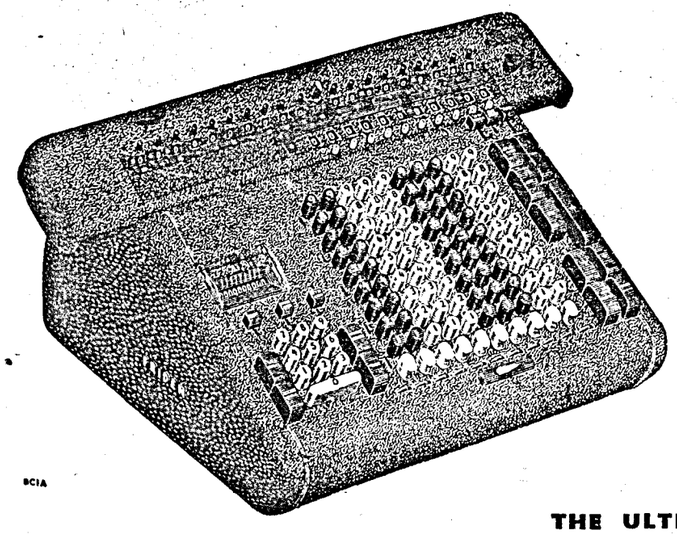


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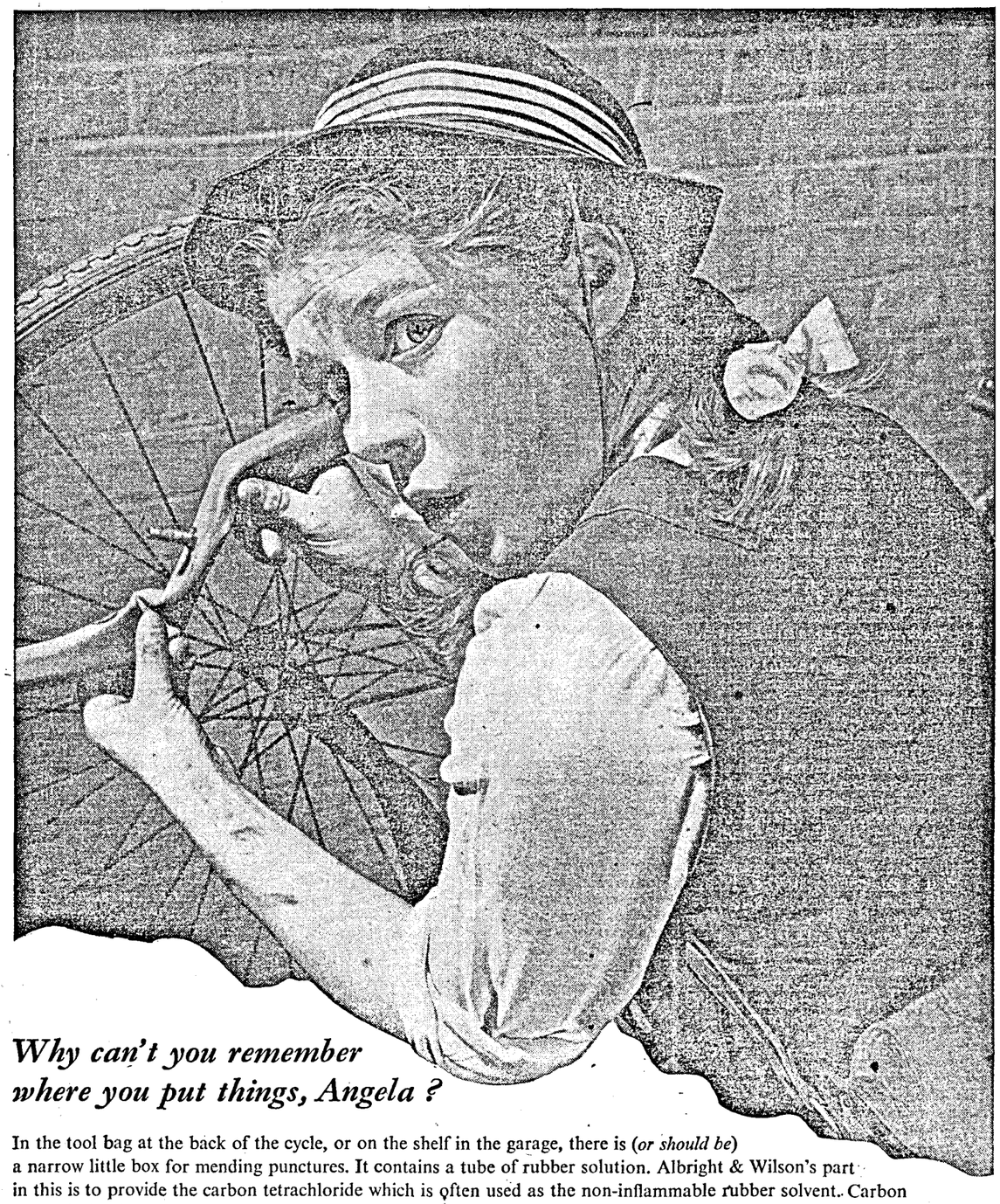
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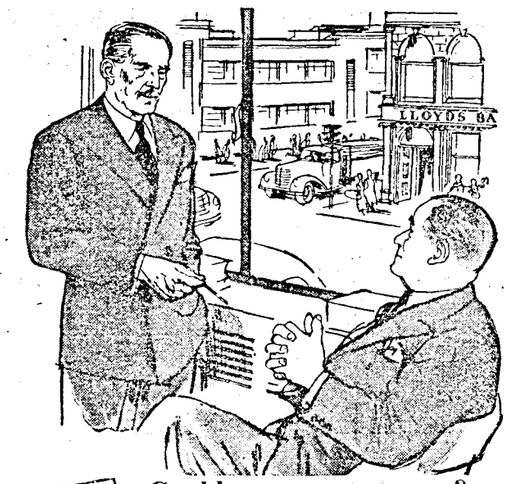
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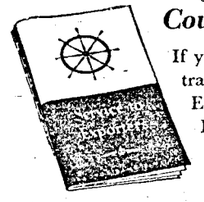


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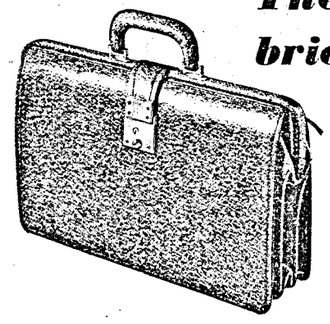
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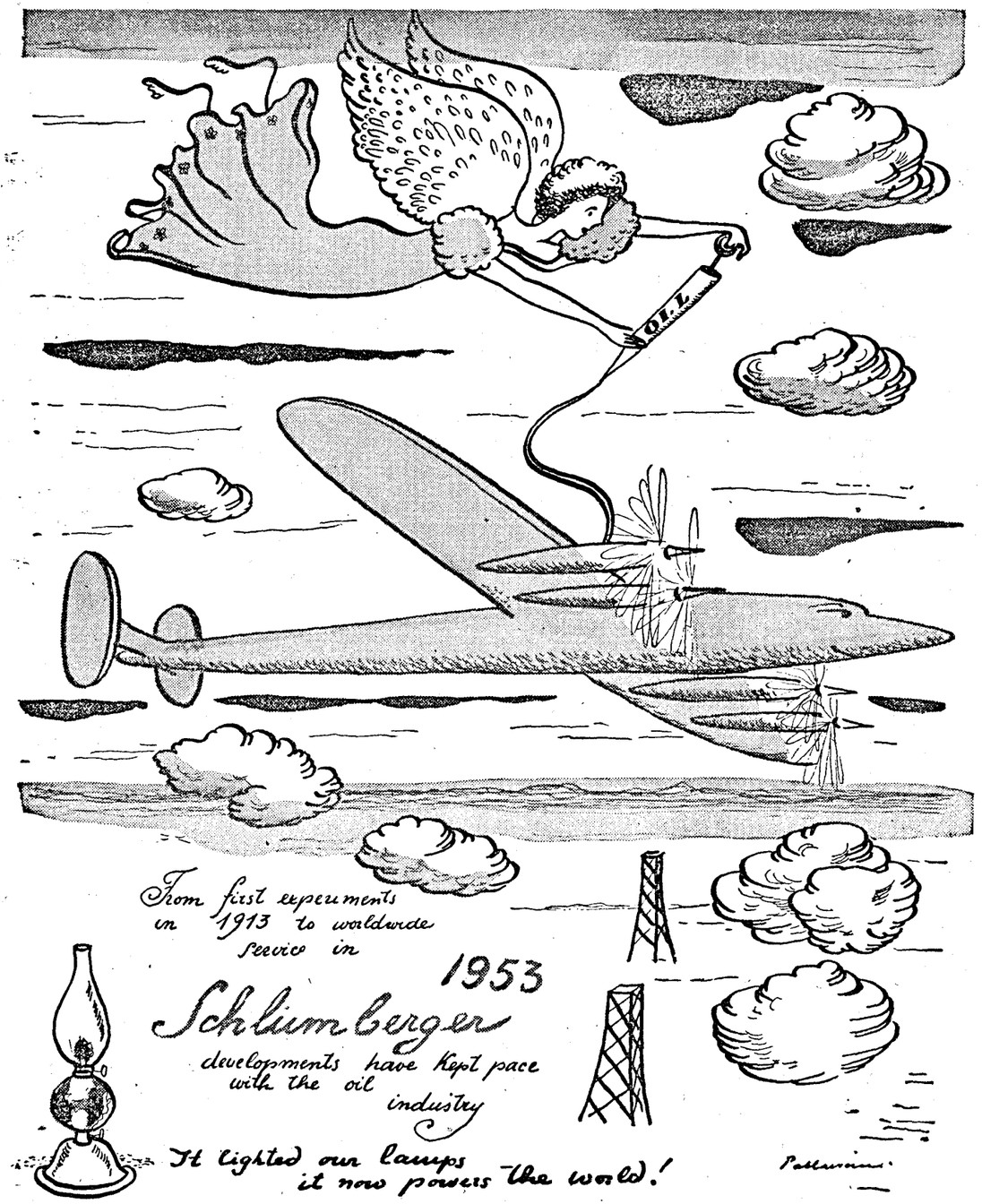




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Magnificent—But Is It Policy?

OF all the great offices of state, the only one that Sir Winston Churchill has never held is that of Secretary of State for Foreign Affairs. On Monday, the country had a demonstration of what it has missed. It was a political performance of genius, impressive to read and so effective on those who heard it that it swept men of all parties along and set the tone of the best foreign affairs debate for many a day. Even the ranks of Tuscany did not forbear to cheer. Mr Attlee, on the second day, responded in the same key, with the result that a mood of alert hopefulness has been created in British public opinion where before there was too much cynical apathy. One would have to go back almost to Palmerston's day—certainly to Salisbury's—to find comparable examples of the way in which the buoyant and robust commonsense of a statesman can transform the departmental brief, and breathe into that collection of tentative expedients which at any time makes up a country's foreign policy a sense of momentum and purpose.

Sir Winston is, in fact, in a unique position. His authority is so great and his reputation so far-flung that his intervention in the course of international events can be decisive. He is the only western statesman of the first rank who can defy the charge of appeasement when he says frankly that the Russians and the Chinese, just as much as the Americans and the British, may have fears that are not unreasonable. He can state the problem of Germany and Central Europe as one of "reconciling the security of Russia with the freedom and safety of Western Europe," and so stand a little above the clashing pleadings of Mr Dulles and *Pravda*. He can suggest a conference on the highest level and admit that it might produce either "a generation of peace" or merely more personal contacts between the mysterious Malenkov and those who seek to do business with him. He is ready to take a chance which President Eisenhower finds it difficult to take, and he does not see "why anyone should be frightened of having a try for it." These are fit things for the British Prime Minister to do and say; and for this wise and eloquent contribution to the international debate—and to the Coronation mood—he has the gratitude of public opinion.

Mr Crossman, later in the debate, contrasted general welcome for this speech with the frigid reception of the Fulton speech seven years ago. It is an interesting comparison, though the moral of it was lost on Mr Crossman. The point about the Fulton speech is that, though it was at the time so generally unpopular, virtually everybody except the Bevanites and the Communists would now acknowledge it to have been correct in its diagnosis and sound in its advocacy. Is the opposite also true? Is it not a little dangerous for a far-sighted statesman to allow himself to say things with which there is such universal agreement—in domestic opinion, that is to say, for different foreign countries, for their differing reasons, have shown themselves less pleased? It would, perhaps, be going too far to suggest that the popular estimate of the situation is always wrong; but it very often is.

And it must in candour be said that the more the specific content of the speech is examined, the more doubts it arouses. Undoubtedly it was magnificent; but was it policy?

The general impression left upon the public mind—on those, that is to say, who never read beyond the headlines—is that Sir Winston Churchill thinks there has been a sufficiently radical change in the attitude of the rulers of Russia to make a personal meeting worth while, and that from it might flow a generation of peace and amity. That is not, of course, what he said. But it is what a great many people think he said, and the flood of wishful thinking can be seen rising day by day. The domestic political advantages of creating such an impression are clear enough: they have been demonstrated at Sunderland. But is it not going a bit too fast? Is it quite certain, or even more probable than not, that Malenkov and his colleagues want to start something new rather than to stop the West from getting stronger?

*

The evidence remains conflicting and unsatisfying. That something new is happening inside the Soviet Union is clear; its new rulers appear to be coming to fresh terms with the Russian people. But it is not known for certain whether there is—to use Sir Winston's phrase—a "profound movement of Russian feeling." If it is, in fact, profound one might expect the friendly gestures to the outside world to have been more convulsive and impressive than they have been. The Prime Minister himself described these gestures as taking the form of "leaving off doing things which we have not been doing to them." At best, therefore, it can be said that there is a strong case for inquiry, for sending out diplomatic patrols, for taking new soundings in waters where hitherto there have been only wrecks and sandbanks. It can be argued, too, as it was in this speech, that it is wrong to assume that nothing can be settled with the Russians unless everything is settled at a swoop. There is much more to be said for winning agreement piecemeal; and the Prime Minister was entitled to address this advice to the United States.

The question to be answered, therefore, is whether the proposal of a conference with Malenkov is a well-timed and essential part of the piecemeal approach. To the British Prime Minister it may seem politically desirable, perhaps even unavoidable. The demand for it could easily be fanned into flame both in Britain and in Europe; and it was both prudent and generous of Mr Attlee to say in the House of Commons that the chief value of a meeting would lie in getting personal contacts and understanding, not in clearing up dramatically all differences. But if it is politically undesirable—it looks now impossible—for the American President, then the proposal runs the risk of spoiling Anglo-American understanding at a time when it is being severely tested in Korea, in Egypt, and in the vital matters of economic policy of which Mr Butler spoke so bluntly last week. Sir Winston, it is true, is the last man to be careless about relations with the United States; and his speech stressed with the utmost gravity the need for "unity, vigilance and fidelity" in the western alliance. But the suspicion remains that he has not sensed the narrow limits within which the United States Government finds itself able to move, limits which appeared quite clearly in the great speech that the President had contributed earlier to this springtime debate. If in fact the only result of making the proposal is, not to get a meeting, but simply to embarrass General Eisenhower, was it worth making?

It has to be asked, too, whether the Prime Minister has correctly assessed the effect of his ideas in Europe, especially in Germany. To Dr Adenauer he gave as emphatic and carefully worded a pledge as could be given that a friendly settlement with the Soviet Union, or even an improved *modus vivendi*, would not cause the British Government "in any way to fail in the obligations to which we have committed ourselves about Western Germany." That means, or should mean, that German unity remains the purpose of British policy, that Western Germany can win the status of a power by joining the European Defence Community, and that the future of Germany's frontiers remains an open question in face of Soviet insistence hitherto that it is a closed question. It is not difficult to imagine the effect in France, and in Germany itself, on the whole movement towards the integration of Western Europe if the next few months were taken up with the preparations for, and the consequences of, an informal meeting between representatives of the Big Four. A venture which is already in distress might well founder.

*

Is it quite certain that Sir Winston, without Mr Eden by his side, can conduct simultaneously a policy of negotiation with Moscow and a policy which aims at winning the strength and loyalty of Germany for the West? And if he can do it, is it certain that the United States can co-operate so long as blood is shed in Korea; or that a French Prime Minister and the German Chancellor can keep steadily on one course while the Prime Minister steers on two? There is a risk, not yet generally perceived, that talks at the highest level this summer would bring down in ruins the Western defence structure on which Mr Acheson and Mr Bevin worked so hard, or kill all hopes of negotiation with Moscow. For what is known of Soviet terms for a German settlement suggests that they exclude any possibility of German membership of a European and Atlantic community. So long as Germans—and Frenchmen—believe this, advances toward Moscow mean retreats from Strasbourg and Luxemburg.

For this dilemma the Prime Minister appears to have his own solution. It is that there might eventually be a new Treaty of Locarno to establish confidence between the Soviet Union and a united Germany. This means quite simply that some or all of the western powers should guarantee Germany against attack by Russia or the satellites, and Russia (and the satellites?) against attack by a reunited Germany. It sounds attractive; but it begs every question at issue between the great powers in central Europe. In theory, no doubt, there is no reason why nations should not give specific promises not to attack each other, even if their mutual frontiers are not agreed. In practice, it has never been found possible. No freely-elected German government could possibly accept the permanence of the present German-Polish frontier, the Oder-Neisse line, and any western government that guaranteed it would be asking for trouble. But if not this line, what other? Further, does Sir Winston think that the American Congress would ratify such a guarantee? And would he have Britain give it alone? It is perfectly true that one of the basic elements of the European problem is the fear felt in the Soviet Union that German nationalism will feed on the frontier grievance, and it may be that the exorcising of this fear is the major contribution that the West can bring to the bargaining table. But there are no short cuts. Precisely because it is so all-important for both sides, the German problem can be solved only after a sufficient degree of confidence has been restored between Moscow and the western capitals. A Locarno treaty will not create this confidence; the confidence must first be created before either side will trust the signatures of the other on such a treaty. If there is one subject that will have to be the culmination, the last item on the agenda, of east-west negotiation, it is the future of Germany; its solution will have to be the climax of the *détente*, for it cannot be the beginning.

This is, perhaps, to take too seriously those passages in which Sir Winston gazed into the future and brought his memories to the aid of his hopes. But he was, after all, speaking as the Minister in charge of the Foreign Office; and what he has said is being minuted and discussed in every foreign office in the world. He may think of the high level meeting as nothing more than a way of getting to know Russians who peer at the world through arrow slits, of finding out what motives lie behind the faint, beckoning signals they have made. But those who do not go with him will expect more than that. Not one of the statesmen who would join Malenkov—or whoever it might be from Moscow—around a table would dare to return empty-handed. They could no more keep aloof from specific issues than a historian can keep aloof from facts. And when it comes to issues, the doubt must be expressed whether the West is ready:—whether its policy for Germany is concerted, whether it knows what it could concede (for concessions there will have to be); whether it could and would keep the problems of Europe separate from those of Asia; whether, as Mr Attlee asked in the House of Commons, its statesmen—especially President Eisenhower—would be given by public opinion the confidence and discretion without which they could not negotiate. If there is no such readiness, or if readiness varies from country to country, then to try to go too fast might well provoke such a display of disunity between allies as would make it unnecessary for Malenkov to stir a finger more.

Defence Without a Date

IN the higher military ranks of the Atlantic alliance there is now a remarkable conjuncture of new men and new ideas. President Eisenhower—now virtually Generalissimo of the West—has appointed new American chiefs of staff with a sailor, Admiral Radford, in the chair. General Gruenther, an outstanding staff officer with a mind of his own, succeeds General Ridgway, a great fighter and trainer of troops, as Supreme Commander in Europe for Nato. In London there have been less recent changes, bringing new men into the direction of defence. The bases of British strategic appreciation and planning have lately been re-laid, under exhortation from the Prime Minister; and in Nato itself preparations are being made to study and put into effect the doctrines that emerge from experiments with new weapons and scientific devices. It is not entirely coincidence that these changes have come about either just before or just after the death of Stalin, at a moment when economic strains have made necessary a revision or stretching out of defence expenditures, and in a period when staff officers are giving up the idea of preparation against the danger of war at some chosen critical date. It would be wrong to say that military planning is marking time; reasonable security against attack is still too far off for such a pause to be possible. But it is fair to say that men who have been working feverishly against time are now pausing to take breath.

It is, therefore, a moment when there might also be a pause for more radical thinking about defence policy than has been possible for some years in Britain, and perhaps in the United States, too. It is called for, not only by the development of new weapons, but even more by political and economic requirements that are difficult and unfamiliar in peacetime both to politicians and their military advisers. First, there is the fact that defence, for the predictable future, can be organised only through regional groupings of allies. Nato is one such grouping and by far the most important; the Middle East Defence Organisation, if it ever comes to birth, will be another; the European Defence Community could be another. Something may be created for the Southern Pacific. These groupings have—or would have—an intimacy and cohesion beyond anything attained, for example, by the Commonwealth in peacetime. They imply, even if they do not yet provide, peacetime co-operation in defence planning, in industrial production and in the bearing of economic burdens

such as was unthinkable when present high officers were at their staff colleges. They point inevitably towards a defence policy that will make the best possible use of national resources, produce a profitable division of burdens between allies, and have done with the principle that each member of the alliance must have a little of everything on land, in the air and at sea. Attractive though it may be to service chiefs in each country who have to hammer out compromises between their respective plans, the idea of well-balanced forces for each member needs the most careful scrutiny. If each of three great allied industrial nations has well-balanced national forces, their total joint forces are likely to be less well-balanced, more costly and less efficient than they might be.

The second political requirement is to recognise that in the free world of the next decades only three nations (unless Germany is allowed to make whatever it likes) can equip themselves with what the scientists have to offer: the United States, Britain and Canada. It is not easy for Europe to accept this fact, but a fact it remains. It is, therefore, essential that those three nations decide how and where their special technical skills and economic resources shall be applied to complement the military contribution of their weaker allies. The idea may seem new, but it is the idea that lay behind the maintenance and use of the British fleet for at least two centuries. It is also the idea that appears to lie behind the American policy of disengagement in Asia. Its implications are in the long run revolutionary, but they must be faced. If the cold war continues for a long time in its present form, these great industrial powers will seek more and more to substitute the products of the laboratory and the engineering industry for great concentrations of men.

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The economic requirement is more complex. It is, in the first place, that national finance ministers should accept the view that it is both wiser and cheaper to allow the Services to plan over several years for a steady level of expenditure than to submit them to a policy of fits and starts in spending. If the welfare state is to be the armed state—and there is no reason to believe it can be anything else for some time to come—then it may be necessary to make reasonable costs for the defence services as inflexible as the costs of the social services. In the second place, the economic requirement is that an industrial nation like Britain should, so far as possible, make arms in the assurance that allies will buy them. For standardisation and all the economies it might bring will come only when it clearly pays to standardise. The cost of the latest aircraft, tanks, warships and their equipment is such that governments will sooner or later be forced to move in this direction; but the fact is not acknowledged.

In the third place the economic requirement for a healthy and alert state in this dangerous world is that its strategy should not frustrate its economy, whether by absorbing too much manpower, or by producing in miniature what could be produced elsewhere in mass, or by stimulating uncompetitive defence industries.

These and similar ideas are beginning to emerge from the immense labours that Nato has undertaken in reviewing and planning the defence contributions of its fourteen members; and they are beginning to penetrate the minds of those military men who have experienced Nato methods. But they have not made much impression on national governments and their advisers. There is, therefore, much cogency in what Lord Montgomery said on Wednesday in his speech to the International Press Institute. He urged that the governments of the Atlantic alliance should form a small group of political, economic and military consultants who would study at leisure and in privacy the problem of defence as he and other high officers of Nato see it. It is to give the allied nations the kind of military organisation that will keep them for a long time "so geared that they can spring to arms quickly in the face of aggression." The Field Marshal wants the planners to look fifty years ahead and to keep in mind a few vital principles.

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One is that it is useless to build up large forces by a certain date without regard to the enormous cost of maintaining them in a state of efficiency after that date. That, apparently, is already being realised. Another is that defence budgets are bound to rise if present methods of preparation continue, whatever Congress may believe to the contrary. Another is that there must be in each country a proper balance between a "shield" of small, highly equipped forces acting together, and well-trained reserve forces that can be mobilised for almost immediate use in the field. That means less emphasis on large forces in front and more emphasis on the training of reservists behind.

To some extent this advice is a stimulus to what is already happening in some staff officers' minds rather than an anticipation of new doctrine. Some of it has already been expounded by Ministers in Parliament. But it is none the less important, coming from General Ridgway's deputy, who knows President Eisenhower's mind, and who has investigated mobilisation and training problems in every Nato country. Indeed, the advice at once raises a host of questions about what the British contribution to the shield is to be in the future. Present pledges to European allies point to the cream of the British Army remaining for some time in Germany. Commitments in the Middle East, Africa and perhaps the Far East appear to make further and inevitable claims on forces of the present type and size. But it is by no means certain that this must always be so. There is room for fresh thought, and if allies can contribute to British thinking, so much the better.

It would be a mistake, however, to think too much in purely military terms. The kind of strategic planning that Lord Montgomery has advocated demands difficult and unfamiliar decisions in industry. How, for example, is the equipment of highly trained reserves to be kept up to date? Is it to be regularly changed—which would be expensive—or are the risks of obsolescence to be taken? What is to happen as the latest aircraft, or vehicle, or gun is ready for production? Is it to be produced only in small quantities, while a reserve of machinery and skill is held ready to move into mass production? How is that to be done? It is clearly no simple matter to plan a long-term and limited use of industrial resources and, at the same time, maintain a nucleus for rapid expansion. Is it being studied by any body comparable to the joint war production staff of wartime?

This is a field in which the layman gropes hopefully but blindly, wondering whether the experts are doing better. To him it seems obvious that a great alliance should eventually, not immediately, make possible, by division of labour, important economies in manpower and money; but he hears nothing of them. To him it also seems clear that the Communist bloc is in human resources much stronger and in technical prowess much weaker than the Atlantic alliance; yet it is only lately that the fighting men whom he pays to protect him have spoken guardedly of preferring quality to quantity. He need not apologise for asking whether they are not still too much influenced by the ideas of ten years ago to look clearly ten years ahead.

Who Rules in Africa: A Summary

NEWS from Africa has taken up considerable space in the world's newspapers in recent years, and this enhanced prominence of African affairs is not likely to recede. The stage is set for rapid change—and the pace is largely set by the advance of the British colonies towards self-government, whether African or communal. There are other forces at work, such as the pressure of Arab nationalism in North Africa, or the development of the former Italian colonial empire, under United Nations auspices, into independent states. But it is the changes in the British territories that are likely to bring matters to a head. If the Gold Coast can become a Commonwealth country, equal in status to Ceylon or Pakistan, can France withhold from Morocco a comparable recognition of capacity for self-rule? And can South Africa accept equality of status between itself, a Central African federation and a Nigerian federation?

In self-governing institutions, the awakening African self-consciousness finds expression. The extent to which local institutions of government are already in the hands of Africans, or of white settlers, or are jointly controlled, is therefore a measure of the change which lies ahead—and which may complicate world issues. It may be useful to take stock of the present position in British Africa, which contains 50 million out of the 60 million inhabitants of the Colonial Empire.

Representative self-government in British Africa is growing out of the executive and legislative councils that were set up long ago to advise the governors in all British territories—except Basutoland, Swaziland and Bechuanaland, which are governed wholly through chiefs and tribal authorities. The executive council was created to initiate action under the presidency of the governor, and the legislative council to propose new laws. In the earliest stage, both councils consist entirely of officials. The first development is for the legislative council to be extended by the nomination of non-official Europeans—usually local business men. Next, non-officials are nominated further to the executive council. At a later stage, some of the governor's nominations begin to go to Africans. The next step is to provide for the election, instead of the nomination, of the unofficial members. When, next, the unofficial members are allowed to form a majority, first of "Leg Co" and then of "Ex Co" also, something closely resembling parliamentary self-government comes into existence. There remains, however, the question of the governor's powers. In the Gold Coast, which has otherwise reached the first stage, the governor still has a right of veto and reserved powers of his own in defence matters. In Southern Rhodesia, the remaining checks on complete self-government are vestigial, and something very near to full dominion status exists.

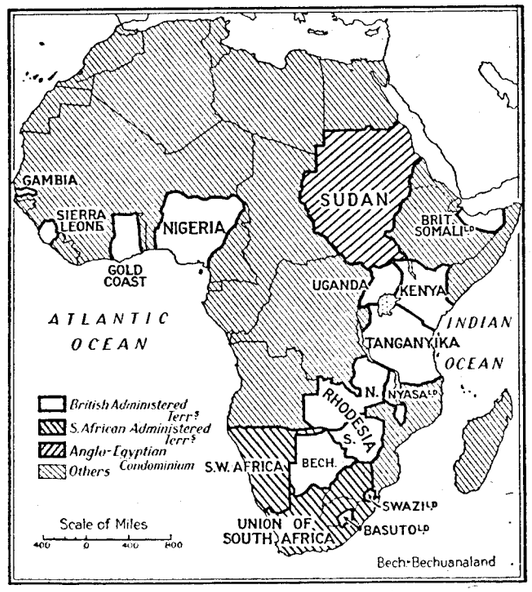
POPULATIONS IN BRITISH AFRICA

	Total in '000	Percentages of :—			
		Africans	Europeans	Asiatics	Coloured
Gold Coast	4,400	99·8	0·1	0·1	...
Kenya	5,680	97·0	0·5	2·5	...
Nigeria.....	30,000	99·9	0·1	...	...
Nyasaland.....	2,400	99·6	0·2	0·2	...
Sierra Leone....	2,000	99·8	0·1	0·1	...
Tanganyika.....	7,827	99·0	0·1	0·9	...
Uganda	5,187	99·2	0·1	0·7	...
N. Rhodesia	1,977	97·5	2·2	0·2	0·1
S. Rhodesia.....	2,233	92·5	7·0	0·2	0·3
S. Africa	12,912	68·5	21·0	2·5	8·0

All these stages are to be found simultaneously in British Africa, from Somaliland at one end of the scale to the Gold Coast at the other. The form of representation, however, is conditioned by widespread illiteracy, by the tribal institutions through which local government—"indirect rule"—is exercised, and by the presence or absence of European or Asian communities. In particular, where European settlers are present in force, or have special interests, the social backward-

ness of African society seems to preclude a degree of representative government which is readily granted elsewhere. Are the natives of the Northern Rhodesian protectorates, for example, so much more backward than those of the Sierra Leone protectorate who elect through district electoral colleges their representatives to the assembly at Freetown ?

In West Africa, full parliamentary government by Africans is now being put to the proof. The *Gold Coast* Legislative Council has been transformed in five years into a single elective chamber, renamed the Legislative Assembly. Only nine of its 85 members sit *ex officio* as colonial civil servants, or are nominated by the governor to voice the interests of commerce. The rest are elected. Only the members representing the towns, however, are elected by ballot in single-member constituencies. The rest are indirectly elected ; 33 rural members are chosen by a series of electoral colleges, which are themselves elected by the districts on an adult franchise ; the remaining members are elected by tribal institutions, in which the influence of the chiefs and elders is considerable. These "territorial members" were expected to exert a conservative influence to balance the impetuosity of the as yet shallow-rooted "educated African"; but it is significant that the strength of Gold Coast nationalism, expressed through the party system, has reduced tribal power, so that the territorial members are amenable to party control.



The party system in the Gold Coast may be shaky, but it exists, and makes cabinet responsibility possible ; because cabinet responsibility is possible, the governor increasingly acts simply as the constitutional head of the state, his reserve powers falling into disuse. The executive council, it is true, contains three *ex officio* members, but as "Africanisation" proceeds, these white faces will disappear from cabinet meetings. Both Dr. Nkrumah's Convention People's Party and Dr Danquah's United Gold Coast Convention are committed to removing the last vestige of white control.

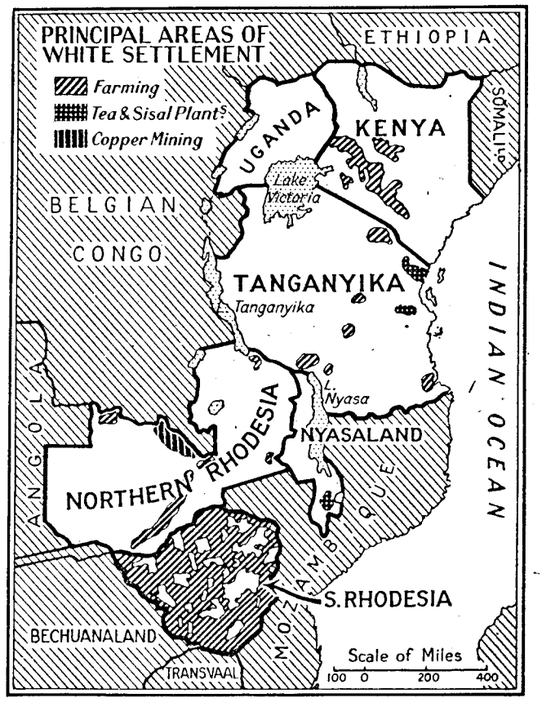
The goal of independence by 1956 has been set by the *Nigerian* nationalist parties also. But the checks to transfer of power here come from a federal constitution, from the strength and wealth of the Islamic northern region and from the smaller educated cadre. Building a unified national state of 30 million people has inevitably been harder than in the Gold Coast with 5 million people. There are three regional houses, the central legislature having all powers not delegated to the regions. But the federal House of Representatives has no electoral basis apart from the regional houses ; it consists simply of deputies *from* them—they are in a sense electoral colleges for it, or it is a committee of them. Election to the regional houses is indirect, as in the rural parts of the Gold Coast.

No national parties have yet emerged in Nigeria. The regions are therefore in effect represented communally, with the North's 68 members exactly balancing the 34 members each from the Eastern and Western regions. The strongest parties in these regions are Dr Azikiwe's National Council of Nigeria and the Cameroons (NCNC) in the East and Mr Awolowo's Action Group in the West. Hitherto rivals, in the issue of independence they have patched up a truce. But it remains impossible to develop cabinet government. The central Council of Ministers is nearer to a governor's executive council than a cabinet ; it is not selected by a prime minister, but consists of four members from each region and six *ex officio* members — including the three regional lieutenant-governors. The governor has reserve powers and a vote. Though Africans predominate on the executive they cannot combine, and this has produced the present crisis, since it is clear that the constitution must be considerably changed before it can lead with any despatch to a "Gold Coast solution."

No other purely African territories are so near to independence as the Gold Coast and Nigeria, except—and it is indeed a thought-provoking exception—the *Sudan*. Hitherto ruled by nine provincial governors with advisory councils under a governor-general responsible to Britain and Egypt, the country—as diverse as Nigeria—is being organised to elect a constituent assembly which is not only to take over sovereign powers but also to choose between association with the Commonwealth, Egypt or full independence.

Of the territories coming under the Colonial Office, *Sierra Leone* is the next most advanced. There are "unofficial" African majorities on both the legislative and executive councils ; the "unofficials" are elected by seven one-member constituencies in the colony, or coastal district (where one African in two is educated), and by fourteen electoral colleges in the protectorate, or hinterland. A majority nationalist party and an opposition have emerged, and though the Executive Council contains seven official members (not all of them Europeans) to eight unofficial, cabinet government is developing. In the *Gambia,* elected Africans control only the Legislative Council.

Though there are no white settlers in *Uganda,* and native political institutions are in parts as fully developed as in Northern Nigeria, Africans in the Legislative Council are still in the minority. There are six *ex officio* members (all Europeans), ten members nominated by the governor and sixteen unofficial members, of whom eight are nominated by the governor to represent equally the small European and Asian communities. The Executive Council is entirely official. The balance of power is similarly held in *Nyasaland* and *Tanganyika.* Thus in Nyasaland's Legislative Council there are two Africans and one Asian chosen from panels offered by the Africans in the "Protectorate Council" and by the Indian Chamber of Commerce ; the other 16 are Europeans. In Tanganyika, under the present constitution, which is about to be replaced, officials outweigh unofficials by 15 to 14, of whom four only are nominated Africans.



It is in Kenya, Northern and Southern Rhodesia that the white settlers exercise power. In *Southern Rhodesia* it is limited only by the powers reserved to the British Government to disallow legislation discriminating against Africans—powers which have never been exercised publicly. In *Northern Rhodesia,* 40,000 white settlers elect ten members to the Legislative Council, where they sit with nine officials and four members nominated to represent the 2 million Africans—two of whom are Africans. The Executive Council is all white, nine officials to four unofficials, of whom one is a European representative of the Africans ; but by a convention the Governor accepts the advice of the unofficial members when they are unanimous. In *Kenya,* the Legislative Council is composed of 26 official members and 28 non-officials, of whom 14 are elected by Europeans, six by Indians and one by the Arabs on separate rolls ; another Arab is nominated by the Governor and six Africans are nominated to represent the tribes—one of these sits on the Executive Council, though not as a member responsible for a department. Under these conditions, party groupings remain rigidly racial.

Throughout East Africa south of the Sudan, therefore, Europeans still absolutely dominate government, even though differences of opinion between officials and unofficials arise. Though the new constitution proposed for *Tanganyika* is cited as breaking this unity of white control, Europeans will still hold the power, so long as officials and white settlers' representatives vote together. For though there will be parity between the three races in the election of unofficial members—seven each—the official members will number 21 and most of them will be white. Only as power is handed over to the unofficial element by further modifications to the constitution will the Europeans find themselves in a permanent (if over - represented) minority.

This may happen, though it lies some time ahead ; it may happen under nationalist pressure in Uganda also. In Kenya, consideration of a new constitution is postponed until the emergency is over. There, however, as in Northern Rhodesia, settlers' representatives hold semi-cabinet office as "members" for particular departments, and hence possess growing power over the officials of the Colonial Service. Meanwhile, in Central Africa, the coming federation will decisively transfer power in the federal sphere into settlers' hands. Any future increase in African representation will depend, not upon London's willingness to reduce the official and *ex officio* weightings in the councils, but upon the readiness of locally elected politicians to make a voluntary surrender of power.

In these circumstances, African political organisation may not take, as in West Africa, a primarily parliamentary shape, which it can do only if parliamentary institutions offer real prospects of power. The most that can be said is that it may do so in Uganda and Tanganyika. Nevertheless, African political parties are developing fast in Nyasaland and Northern Rhodesia, and are showing their capacity, as in West Africa, to take control of the tribal organisations and authority, through which indirect rule has been exercised. Thus, in different ways, African nationalism is developing its strength in all parts of Africa ; and various projected pan-African political conferences will increasingly solidify its aims.

Notes of the Week

Breakdown in Cairo

EVEN Sir Winston Churchill has seldom been more successful in putting the mood of the nation into words than he was on Monday in that section of his speech on foreign affairs which dealt with Egypt. Indeed, one of the failures of those in Cairo, who encourage mob emotion in order to influence Egyptian relations with Britain, is to recognise that Egypt is not alone in having a public opinion. Where the Prime Minister may, however, have erred was in understating the problem. This was done no doubt deliberately, in order not to prejudice the slender hopes of renewing the talks on the Canal Zone base which have now been broken off. But the result has been, on the one hand, to do less than justice to the almost impregnable British legal case, and, on the other, to gloss over the grim realities which certainly now appear to lie ahead.

During the past three weeks an attempt has been made to open negotiations with Egypt by means of a pragmatic approach. It was characteristically British to try to go round the crucial issues of sovereignty and control, by discussing in committee the detailed organisation involved in a gradual British withdrawal and the technicalities of running the military base under joint British and Egyptian management. But this negotiation by evasion failed, because it was really sustained only by negative pressures on either side. The British were reluctant to let the talks break down because failure would immediately bring more fighting in the Canal Zone; ugly incidents have begun already. The Egyptians were kept going by the regime's fear—in spite of General Neguib's personal popularity—that it will maintain its tenuous hold on power only if "national aspirations" are achieved. Unless it can make it appear that it has got rid of the British, its support may melt away in the night.

An important part of the blame for failure lies fairly and squarely on the shoulders of Mr Caffery, the Irish American who represents the United States in Cairo. By exaggerating to the Egyptians the unwillingness of the Eisenhower Administration to act in support of the British, in their view that a properly run base in the Canal Zone is a *sine qua non* of adequate Middle East defence, he drove a coach and four through any chances of compromise. Mr Dulles's firm attitude when he visited Cairo this week accordingly came as a shock.

As Sir Winston Churchill made plain in the House of Commons, no further action can usefully be taken at present. Simply to withdraw at this stage would sacrifice not only British interests but those of all who are concerned with Middle East defence; it would create as many problems as it solved. Meanwhile, the 1936 treaty stands. Egypt's repudiation does not legally invalidate it; and, contrary to general belief, there is nothing whatever in the text to say that the British must leave in 1956. Article 16 only provides for arbitration if no agreement can be reached about revision. On the spot, however, the situation is by no means as clear. General Neguib and his cabinet have all been taking individual training in guerrilla warfare. He himself has declared that the Suez dispute can only be solved by force. And while the British forces in the Canal Zone, numbering over 80,000 men, are too strong to suffer defeat by Egyptian arms, they now seem likely to be subjected to a peculiarly bitter and bloody type of attack.

Truculence at the Truce Table

IN his references to Korea on Monday, the Prime Minister said that it was "our duty, without separating ourselves from our great ally, to express our opinion frankly and plainly." Many people in Britain have become increasingly critical and suspicious of the American attitude to the Korean truce talks. They feel that the American public has become so stubborn in its unwillingness to meet the Communists even part way, that the scope for bargaining is too limited to render a truce possible, in spite of the considerable concessions made in last week's Communist eight-point "peace plan." Sir Winston's significantly mild observations were followed on Tuesday by one of Mr Attlee's best and most outspoken speeches, which has now been answered with some caustic comment in Congress. These exchanges will have given pleasure to the men in control in Peking and Moscow, whose paramount aim is to crack the unity of the free world. If, in the course of driving as hard a bargain as they can over the Korean truce, they succeed in weakening the bonds between the United States and its allies, even a relatively less favourable truce might seem to them worthwhile.

In reality, of course, these allied disagreements strengthen rather than weaken the Communists' bargaining position. Their fresh bout of calculated truculence has taken the form of rejecting outright the thirteen points put forward this week by the Americans in reply to their own proposals of May 7th. The difficulty, both in dealing with the Communists and in keeping harmony between allies, is to decide what one can reasonably expect to get clearly agreed before, rather than after, an armistice in this extraordinary war. In favour of the rigid American attitude this much can be said: experience has shown the necessity of having everything possible set down in black and white when dealing with Communists. Furthermore, as Sir Winston pointed out, the negotiations at Panmunjom "no longer involve a difference of principle," and "if at any time there is a wish among the Communists to reach an agreement as between rational human beings the matter could be almost instantly settled."

On the other hand, there is a real danger that the Americans, because they are handling the truce negotiations virtually alone, will give due weight only to their own interpretation of their own interests, and that a considered allied view will have to yield to the unreasoning—but understandable—pressures of American domestic politics. Any wider political negotiations following a truce should be handled by a representative United Nations team.

Forgotten South Koreans

THE main point now at issue in the Panmunjom negotiations raises a question to which too little attention has been paid on the allied side. The Communists insist that the ultimate disposal of prisoners unwilling to return home must be made by the political conference after the truce. The Americans now propose instead to release them inside Korea, if at the end of a certain time—not yet agreed between the two sides—the neutral commission is unable to repatriate them. This proposal, however, appears to ignore the legitimate fears of the Communist leaders about the attitude and possible actions of President Syngman Rhee as head of the South Korean state.

Mr Syngman Rhee has already rejected publicly the whole idea of a truce based on a neutral commission and recognition that North Korea is not to be occupied by force of arms. While his intransigence is understandable, it can be overruled so long as control of the main events in the allied sector remains in American hands. But the South Koreans represent a factor in the situation which is bound to become increasingly important once the fighting stops. Men who still keep their eyes trained on the ambition of ruling all Korea are hardly likely to give Communist ex-prisoners anything but a rough handling.

Even now it is questionable how far the Chinese are genuinely held back from concluding an armistice by the knowledge that, desperately anxious as they are to get the Americans out, they cannot readily propose withdrawal of all foreign troops from Korea. To do so would be to leave the fifteen divisions of the South Korean army potential masters of the situation; North Korea has been shattered and broken by the struggle. For the Americans, too, withdrawal is a dubious objective. Korea is probably now of greater strategic value than Formosa. The rising tide of Japanese nationalism prevents the stationing of more than a skeleton American force in Japan itself. How is Japan to be guarded without American troops in Korea?

Vote of Confidence

THE Conservative victory in the South Sunderland by-election will change the mood of current politics as much as the Wycombe by-election changed it last autumn. Then the Government unexpectedly retained a marginal seat. Now it has gained a seat from Labour—which, once a Liberal had entered the field, few Conservatives retained much hope of doing.

This is, indeed, the first time since 1924 that the government party of the day has gained an opposition seat at a by-election. And the victory is in every way convincing. The poll—73 per cent of the electorate—was, for a by-election, heavy. Even if it is assumed that the Liberal candidate drew as many votes from the opposition as from the government candidate, the result is equivalent to a swing of 1½ per cent of the voters from the Labour to the Conservative side. If the same movement of opinion took place in all constituencies, a general election now would increase the Government's majority to eighty. A comparison of this by-election with the voting at Sunderland South in the general election of 1950, when also there was a Liberal candidate, is even more remarkable: three years ago Labour had a comfortable majority equal to 10½ per cent of the poll; now it is behind the Conservative by 2½ per cent of the poll.

It would, of course, be foolish to draw firm general conclusion's about the Government's popularity in the country from the voting of one constituency. But there were few special circumstances in its favour at Sunderland, though the Prime Minister's speech on foreign affairs, with its hopeful and pacific emphasis, may well have had a special influence on voters hovering between the Conservative and Liberal camps. What is more certain, however, is that Mr Butler's budget has been given an electoral endorsement. Above all, the most important single force working for the Conservatives is probably familiarity. They have now been in office for more than eighteen months, and not one of the disasters foretold by their opponents has happened. Many voters who had been persuaded to look at the Tories with trepidation now find them to be harmless and, indeed, successful. The support the Government has gained represents perhaps a vote of popular relief rather than of confidence, but whatever the motive the practical effect is the same. Sir Winston Churchill will certainly now be inundated with advice from those who want an election this autumn. For the Labour party, the Sunderland reverse will intensify the controversy about future policy; each side in the argument will no doubt claim that the need to adopt a policy more in keeping with its views has been proved. Both sides may, however, agree on the need to stop arguing before Labour's lack of a coherent policy helps the Conservatives to new victories.

A Ruler for the Bamangwato

THE Government has ended—temporarily, at least—the impasse in Bechuanaland. At their recent *kgotla*, the tribe failed to agree upon a chief to take the place of the excluded Seretse Khama, and the government has now decided to transfer the functions of the native authority to Raseboiai Kgamene, a senior member of the tribe, who was proposed as chief in the *kgotla* but failed to find sufficient support. He is not a government-imposed chief; but he will in fact wield the official powers entrusted to the chief under indirect rule, powers which for the past three years

have been exercised by European district officers.

The distinction may seem slender, and it is evident that, in view of Rasebolai's excellent war record, administrative experience and responsible attitude when first approached, the Government would be glad enough if in time the tribe came round to the opinion that he should be vested with the traditional dignities to go with his official powers. But that is for the tribe's decision. In any event, administration will return to African hands, and, providing that the tribe settles down under Rasebolai's authority, that will be a clear gain. Meanwhile, the decision should make it clear to Seretse's supporters, both in Bechuanaland and outside, that his exclusion from the chieftaincy is irrevocable, and that his return to Serowe will depend upon his undertaking to remain in private life, as his uncle Tschekedi is doing.

If the tribesmen accept the new arrangement, they will doubtless save themselves much frustration and internecine dispute. They will certainly be doing a favour to the Government, in its acute embarrassment over the Seretse Khama case. A possible point of friction with South Africa will have been eliminated. But whether African opinion will look on the decision so genially is another matter, and it is doubtful whether any critics of British colonial policy will be mollified. For the reasons why Seretse Khama was excluded have not yet been clearly and satisfactorily stated, and the tribe has made it clear that it now wants him as chief. The Government has staked very heavily on Rasebolai's qualities of leadership and diplomacy.

Four Puzzles for M. Mayer

THE tumour in French politics is malignant and grows only worse under partial treatment. Government after government has been unwilling or unable to cut to the heart of the financial and constitutional crisis in which France finds itself. Everyone admits that the present National Assembly represents combinations produced by private interests and by the skill of the political match-maker rather than the national will. But it displays tenacity in self-preservation, if in nothing else, and it is most unlikely that it will approve the latest proposals for reform that are being tabled this week by M. Mayer. The Prime Minister is asking for the right of dissolution, for the abolition of parliamentary immunity when the Assembly is not actually in session, for the restoration of an effective link between the upper and lower houses, and for the abolition of the separate investitures first of the prime minister and then of the cabinet over which so many cabinet crises have arisen. That is strong medicine and the National Assembly, rather than swallow it, may prefer to call in another opinion.

M. Mayer is vulnerable on at least four main issues: the grave financial crisis represented by a budget deficit estimated at some 800 billion francs, the wave of strikes in key industries such as the Renault works and the shipping lines, the situation in Indo-China, and the perennial deadlock over EDC and the Saar. The financial crisis is the most spectacular of M. Mayer's troubles and may prove to be the immediate cause of the next parliamentary revolt. The government proposes to make certain cuts in public expenditure and defence credits, to increase the tax on alcohol, to raise fares on the nationalised railways and to exercise tighter control over nationalised industries in general. The trouble with these measures, however, is not only that they will be most unpopular but also that they will cut the deficit by no more than 120 billion francs. By its bold devaluation of the Indo-Chinese piastre, the French Government will have done a good deal towards the re-establishment of a better currency in the Associated States and towards stopping the flow of "hot money" from France. There is little indication, however, that the cabinet will feel able to act equally drastically in France itself. A situation has been reached, moreover, in which financial reform is impossible without constitutional changes and the creation of a really strong government.

If M. Mayer holds together his uneasy coalition and obtains approval for what are essentially interim measures, it will be owing to a series of lucky accidents. The coming of the rains in Laos and, perhaps, a change in Communist strategy appear to have halted the threat of a major military disaster. The decision of General de Gaulle to dissociate himself from the parliamentary RPF has created a floating body of 87 deputies, some of whom may rally to the centre. The Soviet peace offensive, moreover, has reduced in many minds the urgency of the problem of German rearmament for Europe's defence. Most important, perhaps, is the fact that the post of prime minister is one of the least popular in France and that no one seems eager at this point to take over from M. Mayer.

Foreign Service Changes

THE commentator who wishes to express a fair, but at the same time, candid opinion on the series of changes at the Foreign Office that have been announced this week —most of them precipitated by the coming retirement of the Permanent Under-Secretary, Sir William Strang—is in some difficulty. On the one hand, there is the old and valuable tradition that individual civil servants should not be criticised, since they have no means of reply—and that would seem to carry with it the corollary that they should not be praised either, since to do so might give an unbalanced result. On the personal side it must, therefore, suffice to say that an attempt, unusual in the Foreign Service, has been made to select men who have some special qualifications for their new posts and not simply to follow the system of switching men round at short intervals regardless of their particular experience.

Thus the new Permanent Under-Secretary, Sir Ivone Kirkpatrick (who is 56), has had, thanks to his spell as High Commissioner in Germany, practical and administrative experience of a kind that seldom comes to the head of the Foreign Office. Sir Frederick Hoyer Millar (52), who is to succeed him in Germany, will bring to his post an intimate knowledge of how Nato works and of the interaction of political, military and economic factors in western defence policy that will be invaluable in Bonn. Mr W. G. Hayter, who goes to Moscow from Paris at the early age of 46, will be able to explain as well as anyone to the Russians the meaning of the European Defence Community, of which they are so deeply suspicious; he has also a special knowledge of east-west trade problems as they present themselves to the allied committee in Paris which sees to it that strategic goods and materials do not go beyond the Iron Curtain. Sir Christopher Steel (50), who becomes the British Permanent Representative at Nato, has had arduous experience of Berlin and also of Washington; his place as second-in-command at Washington is to be taken by the Foreign Office's chief expert on China and the Far East, Mr R. H. Scott (47).

But simply to list qualifications in this way is to risk giving the impression that all is well, or about to be well, with the Foreign Office, and that would be far from the truth. It is quite unreasonable in these days to extend to whole groups of civil servants, such as the Foreign Service as a whole, or even to that more restricted body, the staff of the Foreign Office itself, the immunity from criticism which still rightly covers the individual. The sole responsibility of the political chief is no more than a convenient fiction when departments have grown so large that many things have to be decided, and policy brought at least to the semi-finished state, without more than the passing knowledge, let alone the active decision, of ministers. Those who have closely watched the conduct of British foreign policy in the postwar years can hardly have escaped the conviction that many of its defects and frustrations have been due to deficiencies in the personnel of the Foreign Office—deficiencies arising, it may be, mainly out of the very heavy pressure of overwork, but deficiencies none the less. The present set of changes shows a praiseworthy determination to make the best of the material that is available in the Foreign Office. The thorough reinvigoration of the Office and of its habits of thinking can hardly be begun without at least some fresh blood.

Labour's Municipal Victories

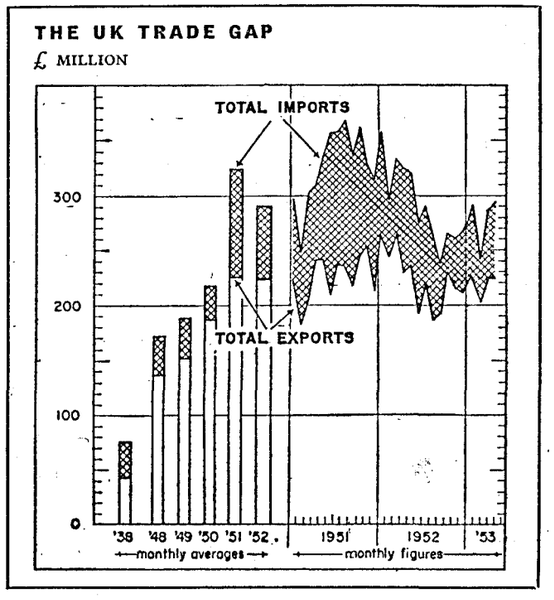
LABOUR has gained a good deal of ground in the local authority elections. The movement to the left was not, indeed, so pronounced as it was last spring, but it was still sufficient to bring Labour some important prizes. Labour councillors gained control of eight county boroughs, including Manchester and Leeds, and two metropolitan boroughs. In several other boroughs Labour became the largest single party, while it captured a number of smaller local authorities. Labour's net gain from the elections was over 360 seats, the Conservatives losing 250 and the Independents, who grow fewer each year, just over 100.

Although they cover the whole country, these results are far less significant, as a measure of the general state of public opinion, than one by-election result—in a marginal constituency such as Sunderland. The latest findings of the Gallup Poll, published by the *News Chronicle*, show the Conservatives retaining a comfortable lead—by two points —in popular favour. The seats at stake in this year's local elections were last contested three years ago, when Labour's popularity was at a low ebb, and the Conservatives had therefore been in a much stronger position on the borough councils than at Westminster. A typical case could be found at Leeds, where five of the seven MPs are Labour, yet until last week there was a Conservative majority on the city council. Here, as in other boroughs now regained by Labour, the latest elections seem to have made local politics a more accurate reflection of the balance of power at Westminster. In London, for instance, Labour captured two boroughs, but the Conservatives held four others considered marginal. In Birmingham the Conservatives lost four seats but held nine others which they had won three years ago.

There is, of course, no reason to think that the one-third of the electorate that votes in the local elections will shift its political allegiance in the same proportion as the 80 per cent that votes in a general election. But even with this restricted vote, a tendency for local councils to mirror the House of Commons ever more closely follows inevitably from the increasing participation of the national party machines in local elections and also from the greater dependence of local issues on central government policy. For the success or failure of his borough's housing plans, the elector is becoming accustomed, and indeed is encouraged, to praise or blame the Government of the day. It is notable, however, that the undermining of local political consciousness has not yet penetrated to all levels of local government. The Labour party claims to control only 25 out of 475 rural district councils. Even allowing for Labour's weakness in such areas, this suggests that among the smaller authorities the truly independent councillor is still of real importance.

Development—and Welfare?

LORD REITH has not yet been able to pull the Colonial Development Corporation off the rocks. A year ago, the annual report expressed the cautious hope that "1951 should constitute the peak of Corporation loss; next year's story should be different." The story of 1952 has, in fact, turned out to be much the same. A further eight projects have been abandoned, and the provision made against actual



or possible losses has risen from £1,750,000 in 1951 to £3,965,232 in 1952. One of two conclusions must be drawn: either it needs more than one year of a new outlook and financial discipline to shake off the burden placed on the corporation by the mismanagement of its early years; or the task of profitable development by corporations is inherently more difficult than Lord Reith supposed when he became chairman. It is noteworthy that of the various corporations set up to fill supposed gaps in the work of private enterprise, the only one that has been both active and successful is the Industrial and Commercial Finance Corporation, which was the one designed to operate on a small scale (and whose annual report is discussed in a Business Note on a later page).

The question, indeed, arises whether the Colonial Development Corporation should be allowed to go on piling up losses, which now total £8,400,000, or whether it should be put to sleep like its manic sister, the Overseas Food Corporation. The right answer probably is that it should be given a somewhat longer chance. Some of its projects are proving financial successes. Others have been valuable —even essential—preliminaries to development schemes that would otherwise not have been undertaken. If generalisations can be made at all, it looks as if the worst failures have been livestock and agricultural schemes, especially in Africa and the Caribbean. The most successful appear to be the timber schemes and some of the general industrial concerns. Geographically, the Far East comes off best with no failures among the six projects listed. Significantly, perhaps, the report praises the local management of the two most successful concerns in that region; there might have been fewer failures elsewhere if the managers had been better and if there had been less pressure from London to show quick results.

There will be less support, however, for the proposal made by Lord Reith in the report that the corporation should be able to finance projects that are valuable but not profitable. These, he suggests, should be separately recorded in the accounts and their results judged on other than a profit basis. The mistakes and disappointments of the first years have compelled the corporation to undertake new projects on a strictly commercial basis. To allow it to finance uncommercial schemes would encourage it to trespass on the territory of the "development and welfare" plans of the colonial governments. Those are not the business of a supposedly commercial organisation.

Light on the Left

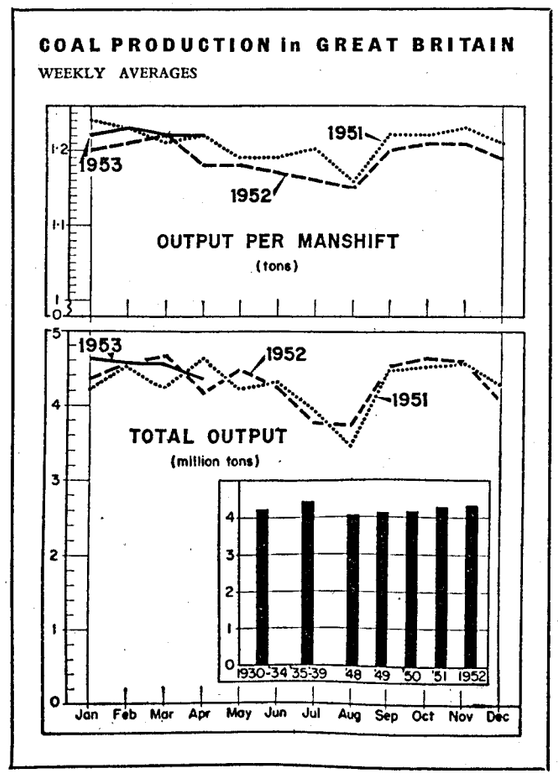
THE Labour Party discussion group known as Socialist Union has cut ruthlessly through the clouds of dogma and hoary prejudice that still obscure so much left-wing thinking on international issues. In its latest pamphlet,* the group pulls no punches and minces few words. It sweeps aside the pipe dream of a neutral third force in world affairs; speaks plainly to those who think that the rule of law can be established not by shedding blood in Korea but by drafting constitutions for world governments; and, while pleading for a "mutual aid" plan to help poorer countries, frankly admits that Britain could contribute to such a plan only within narrow limits. The group seems almost to go out of its way to take by the horns every unattractive dilemma that plagues Socialist consciences—including German rearmament, Syngman Rhee and Bao Dai ("the battlefield is no place for fastidiousness in friendships"), Malaya, and Central African federation.

In all this Socialist Union has shown something more than robust commonsense and refreshing boldness. It is developing the "reassessment of the basic principles of socialism" which it began in the pamphlet published last year. This second instalment is more positive than the first; there are some biting references to the "old beliefs"; but the main argument, starting from the simple proposition that socialism must rest on respect for the dignity of all men, skilfully constructs a set of guidelines for use not in an ideal future but in the distraught present. Principle and pragmatism are here well matched, and especially so in the treatment of two themes: first, the critique of American actions, which bluntly sets out certain "deep misgivings," but goes on to state the obvious but sorely needed maxim that

> a nation must be judged on the general lines of its policy, not on aberrations from it. . . . America is not, by and large, threatening the rights of other nations, or oppressing their peoples.

Second, the group shows a realistic grasp of what Britain can hope to achieve in the contemporary world: "the problem is not only to find the right form of partnership, but to act as a partner who commands respect." If the Labour party successfully digests this and the other lessons offered, not only its backbone of idealism but also its foothold on reality will be the stronger.

* "Socialism and Foreign Policy." 79 pp. Published by Book House Ltd. 3s.



American Gibraltars?

AFTER two and a half years of tenacious bargaining the Madrid-Washington agreement is now ready for signature. By dint of sheer obstinacy and the kind of diplomatic Fabianism already displayed when he was negotiating with Hitler, General Franco has persuaded the Americans to sign on a line dotted by himself. Spain will receive about $200 million in MSA funds and a further $25 million from the Pentagon. This is nearly twice as much as the Americans offered initially; yet in exchange they have obtained from the Caudillo little more than a foothold in certain Spanish air and naval bases. General Franco has made sure, furthermore, that the development of his army and the expansion of road and rail facilities inside Spain form an integral part of the agreement. In peacetime Spain's precarious economy will receive a powerful stimulus, as American military interests tend to act as a magnet for private investment; in the event of war, Spain will have the strongest of allies right on the spot.

It appears that American naval forces will be allowed the use of Cadiz, Cartagena and possibly Corunna, but these ports will have to be expanded before they can berth large carriers and battleships. The Americans will also be allowed to build air bases, suitable for heavy bombers, near Burgos, Madrid and Seville, and possibly a number of smaller fighter bases in the north of Spain. But American use of these bases will be strictly controlled and limited until such time as both sides agree that a military emergency exists. On the other hand, the Pentagon is justified in feeling that this agreement with Madrid represents a major improvement in the Amercian strategic position in Europe. It will help to clear up the problem of getting a throng of admirals to be co-operative with one another at Malta, and it will ensure effective fighter cover for fleets operating throughout the Mediterranean. Moreover, it will make possible the creation of supply centres and the maintenance of ports for bringing in reserves in areas less vulnerable to bombers, and to the sabotage by local Communists that is feared, for example, in France.

Some will feel dubious not merely about the fact that Spain is now introduced into the democratic camp, but also about a private American venture outside Nato. In terms of immediate strategy, however, Nato forces will obviously benefit from this reinforcement of their sea communications and the greater depth of their air defence and supply system. Looking further into the future, one cannot help feeling that the existence of American footholds on the Continent outside the area directly involved in the Soviet-German problem may one day prove most convenient.

Ireland's Unchanging Taxes

SUPERFICIALLY, there was nothing new in the Irish Budget. Mr MacEntee did not change existing rates of taxation, while the programme of capital expenditure is to go on expanding. In response to the growing criticisms of the incidence of income tax, he is setting up a committee of enquiry. Our correspondent in Dublin points out that this will take its place in a long and seemingly endless procession of commissions and committees of enquiry into the Irish economy. In the meantime, its establishment is a suitable commemoration of the centenary of the extension of income tax to Ireland by Mr Gladstone.

After charging, as is the modern practice, a large number of objects of expenditure to capital account, the Minister could even then only reach a balance by promising to effect economies representing about 3½ per cent of the cost of public administration. If he succeeds in this venture, he will indeed earn the thanks of the community. He will also be thanked, with no less gratified incredulity, if he keeps his colleagues to the engagement, given in the budget speech, that £101 million is the limit of expenditure beyond which they will not go until the present pressure on resources is eased by an expansion of national output, and taxation has therefore been reduced to a more tolerable level.

It has recently become almost a convention of the Irish constitution that taxation cannot and must not be increased. It is a pity that the political parties, all of whom subscribe enthusiastically to this new doctrine, do not weigh the implications of the fact that even at present rates of taxation revenue falls short of expenditure. Nevertheless, schemes which must involve further outlay are being pressed, not least strongly by Mr MacEntee's colleagues; and the social services must become more expensive each year, if only because of the changing age structure of the population. The capital programme, for which the government borrows, is predominantly devoted to objects of social rather than of productive development. It is true that there are great reserves of financial strength and that the present embarrassment of the public finances has in part temporary causes. But it seems high time that all parties assessed the real chances of maintaining a structure of public and private costs that is increasingly out of line with world trends.

New Values for Houses

THE new Valuation for Rating Bill, which the Minister of Housing has introduced into the House of Commons, deals with only a small part of the problem of rating, and deals with that unsatisfactorily. The need it tries to meet is real; it replaces sections of the Local Government Act, 1948, which had proved to be unworkable. In order to overcome the distortion arising from rent control, that Act laid down two alternative methods of assessing the rateable values of houses. Houses not subject to rent control were to be assessed, for the new valuation lists, according to the rents they commanded or could have commanded in 1939; but rent-controlled houses built after 1918 might instead be valued according to the estimated cost of constructing them in 1938.

These two methods of valuation have proved to yield in practice incompatible results. Mr Macmillan has decided that they cannot be brought into line by altering the formula relating valuation to 1938 construction cost; any formula would produce serious anomalies as between one type of house and another. The new Bill therefore scraps the construction-cost basis altogether. The new valuations of all houses will be the rents either that they in fact com-

manded, or that they would have commanded, in a free market in June, 1939. This value may be hypothetical in one or more of three distinct ways. Besides the obvious cases—of houses that have been built since 1939, and of houses that either were not let in 1939 or were let at controlled rents—the amenities of the district, or even of the house itself, may have changed considerably since 1939. In this case, the officials of the Inland Revenue cannot estimate what a reasonable rent for a particular house would have been, given the known facts about rents in the district in 1939; they must estimate what the rent would have been if, say, there had been a better bus service and an estate of council houses at the end of the road. The Minister believes that the Inland Revenue has enough evidence about 1939 rents for houses to be fairly assessed in all such cases. But the process seems to leave a great deal to the judgment of the individual official, and public opinion will not easily be convinced that the results are reasonably fair—particularly when they will involve, in most cases, a considerable rise in the assessment.

★

There must, therefore, be some doubt whether the basis for valuation provided by the Bill is any more workable than that of the 1948 Act. Certainly the difficulties that caused so much trouble before the war are likely to crop up again, and in a more complicated form. The whole process of revaluation would, of course, be very much easier if domestic and commercial ratepayers had more confidence that the actual amount of their rates would be reduced, or at least not increased. The only way to make sure of that is to restore the rating of agricultural and industrial property; here the prewar policy has now entirely lost its point. Re-rating would be a sound economic measure, and while it would offend some people, it could hardly be on balance an unpopular measure. It should be—with the reform of the Rent Restriction Acts—the next stage in Mr Macmillan's programme.

Two Rounds for the High Authority

Two recent events underline the gathering strength of the new European Coal-Steel Community and in particular of its executive organ, the High Authority. The first is the German Government's decision to back the High Authority, and not its own business interests, over the contentious question of taxes in the common market, which the six nations opened on May 1st. Last month the High Authority, on the advice of its experts, ruled by a simple majority that steel imported into Germany should carry only the low local German tax and not, for example, the high local French tax. German steel producers promptly asked their government to impose a special tax on steel imports, ostensibly to protect them from "unfair" competition, but in reality to protect the German home market for their own high priced steel. They also saw to it that the necessary enabling legislation was rushed through the *Bundestag*. But the Adenauer government has so far refused to use these new powers; indeed, it has promised to use them only with the High Authority's consent. This shows admirable loyalty.

The second development indicative of the new economic climate is the acquisition by a group of French steel concerns of a majority interest in seven German coal mines of the Harpener Bergbau AG in Dortmund. Previously the shares were owned by the Flick complex which, in accordance with the Allied plan for the deconcentration of the Ruhr coal and steel industries, was obliged to sell this portion of its holdings.

Some German comment has hailed the transaction as a welcome and practical expression, by private interests, of the principle of West European economic integration. Other German comment, inspired by the Federation of German Industry, bitterly resents the sale, largely on nationalist grounds. In justifying its resentment it argues that the Allies have merely succeeded in replacing a German concentration with a French one. It is at this point that the High Authority comes into the picture: for it alone now has the power in Schuman-pool Europe to decide what constitutes a new coal-steel concentration.

The Exclusive Service

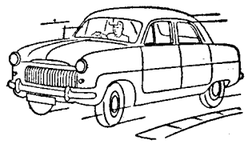
There is another very striking difference between the Navy and almost every other service. Every other part of society is freely opened to talents. A cabin-boy, if he be careful and skilful, can become a shipowner—may enter Parliament, have much to say on legislation, and be elected to the peerage. A poor barber's son may raise himself, by the bar, to be Chief Justice or Lord Chancellor. There is no positive impediment to the humblest tradesman being Prime Minister of the country; but, however brave and skilful may be a seaman, he must quit Her Majesty's service ever to rise above the grade of a warrant officer with £120 a year. "It must be remembered," says Mr Osborne, "that these situations (those of warrant officers) are the highest to which the seamen and petty officers of the fleet can expect to attain; and it is important, in a corresponding degree, that they should be sought after and filled by the most active and deserving men. The importance of the duties performed by the warrant officers cannot be exaggerated." However important, and whatever degree of skill they require, they do not open the higher places in the fleet to the seamen who rise to fill them. These are reserved for the aristocracy. You must enter the Navy as a gentleman to have a chance of being a captain or an admiral. We doubt whether the situation of an officer is more effectually closed to a common soldier in the Austrian army than the situation of an officer of the highest rank is now closed against a common sailor in the Navy. Without the services of warrant officers, such as gunners and boatswains, the Navy could not exist; but while they have much labour—while from them is required all a seaman's skill, the post of a lieutenant, by which alone they can become captains or admirals, is exclusively reserved for gentlemen. In Austria or Prussia that might not be of much importance; but in our country, where other employments have no such artificial barrier, it is fatal to the popularity, and will in the end be fatal to the efficiency, of the Navy.

The Economist
May 14, 1853

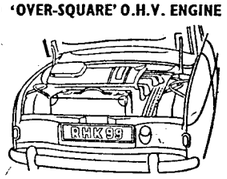


The SALES MANAGER buys a

Consul



• 'OVER-SQUARE' O.H.V. ENGINE

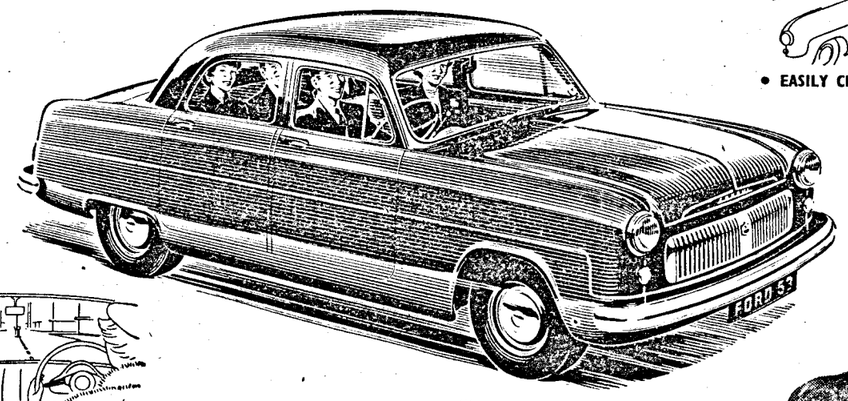


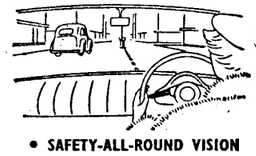
• 15 CU. FT. BOOT SPACE



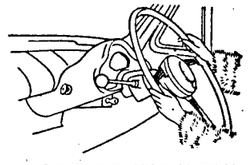
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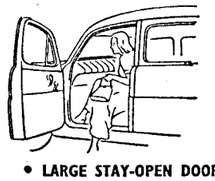




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Letters to the Editor

Israel's Economy

SIR—The article in your issue of May 9th says that "A way of breaking the deadlock [between Israel and the Arabs] is provided by the hopeless economic weakness of Israel and Jordan . . ." and in discussing an imposed settlement, you continue: "What otherwise is the outlook for pauper Israel and pauper Jordan?"

The comparisons between Israel and Jordan are somewhat misleading and give no picture of development in Israel. Israel indeed faces grave economic problems accentuated by the Arab blockade. It receives substantial aid from the West. This aid is, however, being put to good use. Between 1948 and 1952, the land under cultivation has doubled from 400,000 acres to 850,000 acres; the number of trees planted has increased from 5 million to 15 million. The consumption of electric power for industrial purposes has increased from 71 million kilowatt hours in 1948 to 171 million kilowatt hours in 1952. Her Mineral resources are being developed. Last month saw the start of phosphate production in the Northern Negev and September, 1953, will see the start of potash production at Sdom on the Dead Sea. The pilot work for the mining of copper has been completed in the Southern Negev. Israel's scientific and technical facilities are being steadily expanded. During the same period, Israel has built five hundred miles of new roads and has improved five hundred miles of old main roads. A national air line and merchant fleet are growing steadily.

All these developments are on a comparatively large scale by Middle East standards; 750,000 immigrants have entered the state since 1948 and the total population has increased from 800,000 to 1,650,000. Israel is meeting with success in integrating its new immigrants into the life of the country. New permanent housing has been built for 400,000. Though living standards are affected by the blockade and the necessity to build up arms Israel is making basic economic progress.

Your article notes that the Western powers, through UNRWA, made available for the financial year 1952-53 $60 million to help resettle the Arab refugees but only $1,100,000 was actually spent. "The Arab governments, by sheer inaction, have made it politically impossible to spend more than one-thirtieth of the money available." Israel's development budget for 1952-53 was £I 115 million and the total amount was usefully spent. This is in striking contrast to its neighbours.—Yours faithfully,

MARCUS J. SIEFF
London, W.8

Farming Without Boards

SIR—There is one point which your article in your issue of May 2nd (page 280) did not bring out. The apple and pear marketing scheme bore no real resemblance to the milk marketing scheme. The Milk Marketing Board does take a hand in marketing the milk, but the Apple and Pear Board would have had nothing to do with marketing the fruit. In essentials this scheme did no more than define what could not be sold, yet it made no provision for the fruit thus excluded.

The big men turned it down because it would have done them no good, but would have piled another expensive bureaucracy on their shoulders. The small men supported it because they succumbed to the propaganda of the promoters, that any scheme was better than none, and that if this one was not adopted the Government might impose their own.

The same non-constructive approach by the National Farmers' Union to the question of marketing horticultural products was responsible for the drafting of the tomato and cucumber marketing scheme, experience of the operation of which has given rise to so much dissatisfaction among the producers.—Yours faithfully,

G. E. MITCHELL
St. Leonards-on-Sea

★

SIR—As one who has been to some extent concerned with the detailed opposition to the apples and pears marketing scheme perhaps I may offer a few comments upon your very pertinent article. The press generally has hardly noticed the existence of the scheme, and yet the implications of the whole procedure are of importance to the entire community. Some marketing scheme may or may not be desirable. With this I am not concerned, but we should all be concerned with two main aspects of the matter.

First, you mention very briefly the refusal of the Ministry of Agriculture and the NFU to allow the opposition access to the list of hard fruit growers. This refusal was, however, only one of numerous undemocratic aspects in the presentation of the scheme. For instance, any who wished to offer criticism of the scheme at a public inquiry had to do so entirely at his own cost. Moreover, the explanatory notes published with the scheme were most misleading in certain particulars, and so were the statements made by the promoters, some of whom had clearly little understanding of the legal effect of the involved clauses of the scheme itself. Few farmers could have understood the document without legal aid. I submit that if the scheme is to be sponsored by any government it should be made clear that the clauses have been drafted or approved by an absolutely impartial person or tribunal. Alternatively, the expense of criticising the clauses should be met out of public funds.

Secondly, the scheme itself was undemocratic in the extreme. You are mistaken when you refer to the board "consisting of 20 elected representatives. . . ." In fact, the first members of the board were not elected at all, but were nominated by the NFU and were in fact the promoters of the scheme. Under the scheme itself it would have been virtually impossible for the growers to turn them out, and still more difficult for any minority of growers to obtain representation. This point was made to the Commissioner and comparison was drawn between the rights of the shareholders in a public company and the virtually non-existent rights given to fruit growers under the scheme. The Commissioner even questioned whether in fact the board of a public company can be dismissed by a simple majority vote of the shareholders.

There are numerous other points of serious criticism. Parliament has not time to examine such matters in any detail, and they will not be properly examined by a heavily taxed public unless some means is provided for careful scrutiny at the public expense. This is not merely one of the evils of delegated legislation. It goes further. It amounts to a delegation of administrative power to persons who are virtually free from any public or private control or criticism.—Yours faithfully,

London, E.C.4 F. F. STUNT

350,000 Houses

SIR—In your issue last week you state that "each additional council house built means another £37 10s. from the Exchequer alone, in addition to the subsidies from the rates." It is difficult to see how you arrive at this figure. The standard Exchequer subsidy on new council houses is now £26 14s.

You are critical of Mr Macmillan's programme partly in terms of its cost to the taxpayer. The council-house tenant has been insulated from the government's own monetary policy of higher interest-rates by the compensating increase in the housing subsidy. This situation, however, is not altogether illogical for there is the supply as well as the distributional aspect to the subsidies. Were it not for the subsidies local authorities would not be building anything like the number of houses they are. At the same time, the government is seeking to redeem an election promise.—Yours faithfully,

SILVAN JONES
University College, Bangor

[We regret the slip in the figure.—EDITOR.]

Books & Publications

Economic Morphology

THE PROCESS OF ECONOMIC GROWTH.
By W. W. Rostow.
Oxford University Press. 282 pages. 25s.

THERE are several senses in which a new book on a social topic may be called "important." It may reveal important new facts; or establish between them important new connections; or constitute an important step in the wider diffusion of a hitherto esoteric knowledge and understanding; or, whether possessing or lacking these qualifications, it may have a driving power of persuasion destined to exert an important influence on public opinion and policy. Professor Rostow's book is important, even very important, in the first two senses. It ought to be important in the last sense; but unfortunately any influence which it may exert is likely, thanks to the combination of intrinsically difficult subject matter with an unusually obscure and clumsy style, to be deferred and indirect.

"The Process of Economic Growth" is, in its author's words, "an historian's book about economic theory." No historian can be content with an economic theory concerned exclusively with the pure logic of choice in given circumstances. Circumstances are never given; they are evolving according to rules of their own, which include their relation with the very economic choices for which they provide a framework. To understand economic growth, as distinct from the conditions of momentary equilibrium, it is not enough for the economist to assume certain impacts (as of innovation, discovery, war, growth or decline of population) from outside his logical system, and trace their effects; he must study the genesis of those impacts themselves, the "long-period factors and the social and political framework of the economy." He needs "improved tools" for relating them to "the body of economics." To Mr Rostow economic action appears as "the outcome of a complex process of balancing material advance against other human objectives."

This is a much wider, and also a much more realistic, approach than that which assumes material advance to be the sole rational objective and analyses only the process of achieving a balance between its various components. "The Process of Economic Growth" is not a "Principles" written around this definition; its more limited and practical purpose is methodological, "an effort to introduce into formal economic analysis variables which incorporate the human response to the challenges and material opportunities offered by the economic environment." This response Professor Rostow sums up in six "propensities." One is the familiar Keynesian propensity to consume; the others are the propensity to develop fundamental science, the propensity to apply science to economic ends, the propensity to accept innovations, the propensity to seek material advance, and the propensity to have children. These propensities act through existing institutions of all kinds; and they constitute "the minimum gropings of social and political behaviour necessary to analyse the rate of change in the size and productivity of the working force and of the capital stock"—which in turn determine the rate of growth and its fluctuations.

By the use of these devices Professor Rostow opens up some extraordinarily interesting possibilities, here illustrated rather than fully exploited, in the study both of long-run trends and of cyclical fluctuations. The emphasis moves, in his analysis, away from the influence of changes in macro-economic aggregates—national income, investment, consumption—to that of shifts between different sectors of economic activities and lags between the phases of these shifts. Macro-economics is left still further behind when he comes to consider the processes of growth in backward areas where the "propensities" are radically different from those tacitly assumed in advanced economic societies. (Approaching this topic from almost diametrically different directions, the author and Professor S. H. Frankel would find themselves in illuminating agreement.)

Not only in underdeveloped areas, however, he concludes that "the pure Keynesian hope—that the interventions of governments in democratic societies might be limited in this century mainly to the maintenance, through remote and indirect controls, of an appropriate level of effective demand—has been belied by events. . . ." Policy must consider "the appropriate pattern of investment, as well as its scale." It is an uncomfortable conclusion for an essentially liberal thinker. But the fainter the hope that free enterprise will automatically achieve the "appropriate pattern," the greater the need that policy should be guided by a full understanding of that pattern's determinants.

Starsplitter

THE GREAT PALOMAR TELESCOPE.
By Helen Wright.
Faber. 176 pages. 12s. 6d.

UNDER the single word title of this review Robert Frost, a generation ago, wrote about an American farmer who

> . . . mingled reckless talk
> Of heavenly stars with hugger-mugger farming,
> Till having failed at hugger-mugger farming,
> He burned his house down with the fire insurance
> And spent the proceeds on a telescope
> To satisfy a lifelong curiosity
> About our place among the infinities.

There are probably more amateur astronomers today, per head of population, than ever. Mercifully for food production, they can satisfy their curiosity about heavenly bodies less drastically. Jeans and Eddington can be said to have started a wave of popular curiosity about "our place among the infinities"; but the real cause lies back in the nineteenth century, about the time of "The Origin of Species," when—after Halley's comet, and the amateur Lord Rosse's discovery that the nebula Messier 51 in Canes Venatici had a spiral form—in 1857 George Bond at Harvard took the first photograph of a star with wet plates. From that came the combination of spectroscopy with astronomy, the discovery of the elements of heavenly bodies and the recession of nebulæ (boring their way spirally at a prodigious speed), and the "expanding universe" with its challenge to astrophysicists and atomic physicists alike. Today, for about as much as the cost of a motor-assisted bicycle, one can get a good 3-inch or 4-inch refractor and, on most nights even in England, get good enough "seeing" to marvel at the great nebulæ in Orion or Andromeda, the tilting of the rings of Saturn, the red and topaz of Betelgeuse, the dizzy changes of the moons of Jupiter, the vast galaxies in and around the Milky Way, and the density of stars in what look (to the naked eye) to be only Seven Sisters or the Beehive.

But it is a far, and quick, cry from such a cheap and good refractor to the 200-inch reflector of Mt Palomar. Miss Helen Wright tells, with model clarity, the tale of trials and tribulations which led, through twenty-five years, to the installation of this giant. It is the saga of one man—George Ellery Hale (1868-1938). He devoted a life of enthusiasm for astronomy to finding funds to make, in turn, four big American telescopes: from 30 inch and 60 inch to 100 inch and the giant 200 inch, which he never lived to see erected. The story will appeal to economists for showing the hazards of economic venture in the scientific field—such hazards as have always constituted challenges to American private enterprise. The casting of the Pyrex disc for the 200-inch mirror at the Corning Glassworks, with its disasters "thorough flood thorough fire," and the transport across the continent of the eventually successful result at 25 mph by special train, and then up Mt Palomar by truck team, are adventure stories in themselves.

But the book is notable for other things; the beautiful diagrams by Milford Zornes; the remarkable plates, not only of the giant "starsplitter," but also of nebulae, and of the dedication at Mt Palomar with the giant brooding over a big audience of what seem pygmies; and fine maps. Despite a number of needlessly annoying misprints, this book is one worth putting on the family bookshelf. Seldom do information, education and high adventure come so cheap.

Lawyer Statesman

CARSON.
By H. Montgomery Hyde.
Heinemann. 515 pages. 25s.

MANY politicians have become prime ministers without leaving as definite a mark on the map of history as Sir Edward Carson. As Washington delivered what became the United States from the rule of London, so Carson delivered what became Northern Ireland from the prospective rule of Dublin. True, the thing might in each case have been done without the protagonist. *Il n'y a pas d'homme necessaire,* we are told. The American colonies might have scrambled into freedom without Washington and "Ulster" might have scrambled out of Home Rule without Carson; but just as Washington added dignity and distinction to the American scene, so, as the past recedes and animosities fade, on this side of the Channel anyhow, we can say the same of Carson on his smaller stage. He was a grand figure, truculent but heroic; and this is an excellent biography, vigorous and exciting. The author is an Ulster Unionist MP and there is no doubt which side he favours—and that is as it should be. You would never get a good life of John Peel from a man who did not like fox-hunting.

There are dangers of judgment in all historical restrospections, but it is difficult to avoid the conclusion that almost every sort of Englishman was very stupid about Ireland in those days. The Conservatives were stupid in supposing that the Union could be maintained; the Liberals were stupid in supposing that Gladstonian measures would satisfy Parnell's followers. The clear heads were in Ireland, the republicans on one side and the Carsonites on the other. Both survive whereas Gladstonism and Balfourism have gone to the rubbish heap.

Carson, of course, had another career, as a lawyer. He was not among the most learned, but he was probably the most formidable pleader and cross-examiner of his own or any other generation. In fact he liked the law courts much better than the House of Commons, where he was almost as much an Irish specialist as his Nationalist opponents. So the political narrative is frequently interrupted by the great cases: Oscar Wilde, Archer Shee, Archdeacon Wakeford and the rest. He also played an important part in destroying the Asquith government during the first war. But the Irish story is rightly the main theme of the book, reaching its sombre climax in the speech Carson delivered in the House of Lords on the occasion of the Irish Treaty of 1921—a devastating speech that grows not less but more impressive with the passage of time.

Impressive Record

THE BENGAL CHAMBER OF COMMERCE AND INDUSTRY, 1853-1953.
A Centenary Survey.
By Geoffrey W. Tyson.
Arthur H. Wheeler & Co. 215 pages. 15s.

MR GEOFFREY TYSON, for many years Editor of *Capital,* was asked to prepare a short account of the development and activities of the Bengal Chamber of Commerce and Industry, on the occasion of its centenary in February, 1953. A full-length history is under preparation.

The record is impressive. There was hardly an event or controversy of outstanding importance for India, during the century, to which the Chamber did not make some contribution. Its contributions took the forms of expressing the collective opinion of the mercantile community (Indian, as well as European) on commercial matters; of collecting and sifting economic data; of providing representatives on various public bodies; of stimulating the provision of facilities for co-operation between members of the various sectors of the trading or industrial community; or of formulating memoranda on topical questions.

> Company law, income tax, banking legislation, insurance practice, the taxation of inter-State trade, tariffs, import control, export policy, Indo-Pakistan trade, futures trading, the regulation of stock exchanges, reform of the judiciary, employee's state insurance, provident funds, factories acts, the Planning Commission, and workmen's compensation are some of the general subjects with which the Bengal Chamber of Commerce has had to deal exhaustively.

while the "particular" matters affecting individual industries or firms, and local interests, have been so numerous and varied as to elude classification. The Chamber's views were invited on many occasions by different Government Departments, whilst "senior members . . . have given untold hours of service on governmental committees or commissions." Oral and written evidence was given to, among others, all the Currency and Financial Committees and Commissions, the External Capital Committee and the Steel Tariff Board. The Chamber also had working arrangements with the chief specialised mercantile associations, such as the Indian Tea Association and the Indian Jute Manufacturers' Association.

No one could have been found better fitted to tell the story and explain the Indian background than Mr Tyson, with his wide knowledge and experience of Indian affairs. He deals faithfully and vigorously with the many relevant controversial subjects, and gradually builds up, before the reader's eyes, a picture of the various phases of economic and constitutional development through which India has passed during this eventful century. It has, naturally, proved possible to deal only lightly and superficially with some of the multitude of topics mentioned. These defects will, no doubt, be put right in the full-length history that is to come. On the whole, however, Mr Tyson has succeeded in presenting a well-balanced and just account of the activities and attitude of the leading members of the business community in Bengal. It is a record of integrity and public spirit of which the Bengal Chamber of Commerce can be proud.

A Colony's National Income

THE PATTERN OF A DEPENDENT ECONOMY: *The National Income of British Honduras.*
By N. S. Carey Jones.
Cambridge University Press. 162 pages. 21s.

NATIONAL income studies now appear with monotonous frequency. The methodology of national accounting has been well mapped out in recent years; standardised procedures have been laid down and explained by national and international authorities; only the specialist continues to be fascinated by the implications of differences



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in definition or of their application to new geographical areas. The layman may be tempted to class the latest in the series as a work of reference, to be consulted in times of specific need but never read.

It would be a pity if this readable and sensible little book were left to grow dusty among the statistical digests and the Blue Books. For the author has a refreshing approach to the study of national income. He is the enthusiastic amateur writing for the interested layman, and he is not afraid to use his intelligence and a wide colonial experience as a basis for generalisations which take him far beyond the bounds either of a national income study or of the little colony of British Honduras. The tables were constructed in his spare time and he writes with two aims in view: first to show that the job could be done effectively and broadly without spending too much time on the details, and, secondly, to use it as a basis for a general consideration of the problems of a dependent economy.

As a member of the Colonial Audit Service with practical experience not only of British Honduras but also of West, Central and East Africa, Mr Carey Jones writes his "*intelligent man's guide*" with authority. The technical accounting problems are taken in his stride. He had official permission to draw freely on unpublished Government sources and was in a good position to do so. Moreover, in a small colony the government auditor is often the only resident auditor and by servicing local businesses in a professional capacity he gains considerable insight into the working of the private sector.

About two-thirds of the book is concerned with the description of the estimates. Here the treatment is concise without being dry, for it is within this framework that the necessary qualitative factual material about the economy is set. The more generalised analysis and the occasional digressions of a general nature which enliven the descriptive matter are stimulating, but they have their weaknesses. The argument is not sufficiently closely knit to maintain the impact of generalisations ranging over such a wide field. Hence the analysis is occasionally slight even by a layman's standards, although it is always lively and generally sensible.

Problem Area

WEST DURHAM. *A Problem Area in North-Eastern England.*
By G. H. J. Daysh and J. S. Symonds.
Basil Blackwell. 208 pages. 45s.

FOUNDED on the great basic industries of coal, steel and engineering, the north-east coast of England cannot escape the effects of changes in the fortunes of these industries. Depression in them cannot be made good by activities on trading estates, valuable as the light industries attracted to south-west Durham have proved. The certain decline of coal mining in north-west Durham over the next ten to fifteen years presents problems that form the basis of this investigation by Professor Daysh, Mr Symonds and others. Exhaustion of the coking coal seams is expected to result in a fall of 18 per cent in coal production by 1965 in spite of a projected further investment of £20 million by the National Coal Board in north-west Durham's pits.

The fundamental issue, which the authors face frankly, is a choice between the migration of population and the attraction of new industry. They believe that the economy of north-west Durham is worth sustaining but recognise that big incentives may be necessary to bring new industrial ventures to the area. It is also admitted that the attempt could be made at too great a cost. Remarking that large-scale migration must be regarded as a desperate measure and a last resort, the authors observe later that

> migration of population might be found to be the best solution in the national interest . . . but it is difficult to believe that such a decision could be regarded as anything other than an unfortunate necessity.

The immobility of labour in a changing economy is a handicap imposed both by tradition in Durham and by social and human considerations. They cannot be ignored by any government, but they can be given too much weight, and is not life full of "unfortunate necessity"?

No solution is offered by the authors whose inquiry was carried out under the auspices of the Northern Industrial Group and made possible by a grant from the Nuffield Foundation. Handsomely produced and supported by excellent maps and a great deal of statistical information, the book deserves to achieve its purpose of securing careful consideration by the appropriate authorities of a problem that will have to be faced in north-west Durham in the comparatively near future.

Shorter Notices

THE ENGLISH VILLAGE.
By W. P. Baker.
Oxford University Press (Home Univ. Library). 224 pages. 6s.

This is an informed, well-documented little book that deserves to be read closely by everyone who takes an intelligent interest in the countryside. An introduction and six main chapters discuss in turn the appearance of villages, employment, society, religion, education and local government. The author has made a careful and conscientious study of the subject, which he has presented with remarkable impartiality—so much so that the reader is encouraged to draw his own conclusions at the end of each chapter and therefore at the end of the book as well. This may detract from its value, for although there is great need for facts, few readers can profit by them unaided. The whole subject of villages and village life is so amorphous, so diverse, so charged with misrepresentation and sentimentality that something more than information and discussion is needed.

A thread to guide the reader is missing from this book because the author—although he discusses it—does not appear to appreciate fully the fundamental problem of country life today. With the virtual disappearance of handicrafts no substitute has yet been found to provide employment alternative to the primary occupations of agriculture and forestry. It is possible that light industry in small units located in large villages or small country towns will provide the answer; but little has so far been done, and the rural exodus continues. Without a choice of easily available employment, the countryside will not regain stability. Thus, all other aspects of country and village life, so ably and so fairly discussed by the author, are in the end beside the point.

★

ESSAYS IN ECONOMIC ANALYSIS.
By Abba P. Lerner.
Macmillan. 394 pages. 28s.

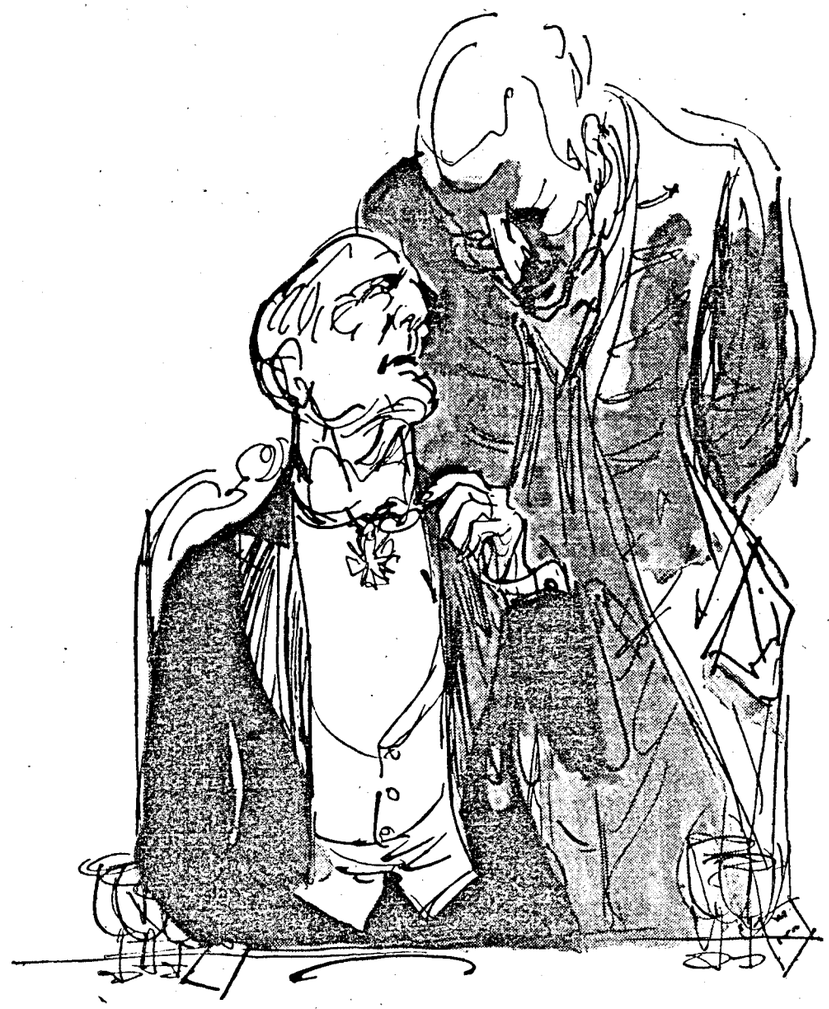
Like the "grave dame" of a well-conducted Homeric household, Professor Lerner has in this book given freely of such things as he has by him, including some which he has "had by him" ever since his distant days as an infant prodigy at the London School of Economics. "I am a little disturbed," he says in his preface, "by the degree to which these articles still express my opinions." The reader, unless he is a specialist with his analytical faculties tuned to concert pitch, is likely to be disturbed for other reasons; am I, he will ask despairingly, am I really as dense as I feel? Combining as they do the pure zest in intellectual acrobatics and the inexperience in exposition to be expected in a brilliant young man addressing himself to keen fellow-workers in the same *atelier*, the earlier essays are, even when they do not soar altogether out of a non-mathematician's sight, appallingly difficult.

It is instructive, and also reassuring, to note how the difficulty decreases as the dates grow nearer and the brilliant student ripens into the professor. Considering the practical as well as theoretical importance of some of the subjects treated, notably Ideal Output (under the two headings of the Measurement of Monopoly Power and Statics *v.* Dynamics in Socialist Economics); various aspects of the Keynesian controversy; equilibrium in foreign trade; the nature, effects and cure of inflation, it seems a pity that the professor did not apply his maturer gifts of lucid and telling exposition to the task of editing the student's products.

★

FORMOSA: A PROBLEM FOR UNITED STATES FOREIGN POLICY.
By Joseph W. Ballantine.
Brookings Institution, Washington (London: *Faber*).
218 pages. $2.75.

Mr Ballantine was in charge of the American consulate in Formosa as early as 1912, and towards the end of a long career in the United States foreign service he became, in 1944, director of the Far Eastern office in the State Department. He was unusually well equipped to undertake this study of the past and present significance of the island to which the Nationalist government of China retreated in 1949. After a brief historical introduction, in which he deals fairly enough with both the successes and the sins of the Japanese administration of Formosa, Mr Ballantine describes the impact on the island of the Nationalists' arrival and gives chapter and verse for his contention that the economic situation has considerably improved since 1949. The heart of his book, however, is the analysis of United States policy as regards Formosa, and here, although his narrative of events is admirably clear and objective, he can do little more than point the dilemma and pose the obvious questions.



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American Survey

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

Mutual Security Devices

Washington, D.C.

FOR the past two months and more it has been easy to identify, from the hollows beneath the eyes, the air of a stricken deer, or the gestures of a man vainly trying to make his slide rule square the circle, the American officials concerned with producing the new Administration's budget. Now the struggle is over, the main portions of the new budget have been presented to Congress, and the officials are relaxing or in a mental home while their chiefs wrestle with Senators and Representatives over its provisions.

Despite the President's reduction of $8.5 billion in Mr Truman's request for $72.9 billion of new appropriations in the coming fiscal year, the Secretary of the Treasury, Mr Humphrey, has at last acknowledged that the impossible is impossible, that there is no chance of reducing actual expenditures in the coming year to a point where a balanced budget or anything like it can be achieved, and that the deficit in 1953-54 may run as high as $8.5 billion.

For the Administration the implications are serious enough; Mr Humphrey's statement means a denial of the easy assumptions of last year's campaigning season that a little common prudence and business sense would speedily lead to a balanced budget and eventually to a reduction of taxes. For the Republicans in Congress its implications are far more serious; for them it means that at the begining of next year's campaigning season—when most of them have to run for office and the President does not—the finances of the country will still be in the same state of chronic disequilibrium as in the "wasteful" days of Mr Truman, a fact which will take some explaining on the stump. Mr Humphrey may legitimately blame the situation on the enormous carry-over of committed but unexpended funds inherited from the past, but that is a sophisticated argument to use with the voters.

It is in this atmosphere that the latest mutual security programme has been launched with stern warnings on the part of the President and the Cabinet against attempts to cut it any further than they have done themselves. At first sight the new Act is difficult to understand, since it appears to be contrived on an entirely different basis from its predecessors. It is full of special devices which have been carefully worked out by the mutual security officials with the idea of including as much as possible under headings which will have the effect of economic (or "defence support") and technical aid, while appearing to ask for much less for these purposes. The accompanying table, which does not follow the classifications adopted in the Bill itself, but attempts to compare like with like, shows that the emphasis is much less on purely military aid than the official wording suggests.

It is true that the sum available for economic aid to Europe has been reduced by more than fifty per cent, but even so the reduction is not catastrophic. Thus France receives $100 million for fighter aircraft and $400 million for the supply and equipment of the forces in Indo-China, or a total of $500 million which will be channelled through the French budget, as against

FOREIGN AID COMPARED
($ million)

	Appropriations 1952–53	Requested 1953–54
Europe		
Military aid	3,128	2,534
Other aid	1,282	500*
Middle East and Africa		
Military aid	499	469
Technical co-operation	51	44
Economic aid		194
Refugees	130	
Asia and Pacific		
Military aid	541	1,001
Indo-China: supplies for forces	...	400
Defence support		
Indo-China and Formosa	157	95
Technical co-operation		
Philippines and Thailand	34	22
South Asia	68	50
Economic aid		
India and Pakistan	...	94
Latin America		
Military aid	52	20
Technical co-operation	20	24
Special items		
Special weapons planning	...	250
Materials development	12	25
Multilateral organisations		
UNKRA	...	71
Technical co-operation and children's welfare	16	23
Other	12	12
TOTAL	6,002	5,828

* Includes provision for Jugoslavia, for aircraft production in Britain and France, and for special British commodity plan.

$525 million in the current year. The United Kingdom is down to get an equivalent $100 million for aircraft (for its own, not allied, use), $100 million for commodities and the likelihood of at least another $100 million in offshore procurement contracts financed out of military aid funds. It is unofficially calculated that about $250 million will be actually paid up and available to help the British balance of payments during the coming fiscal year, in addition to the carry-over of some $120 million in unspent funds from the current year's grant of $300 million of economic aid. Unfortunately, owing to an obscure rider in last year's Act, the American wheat, cotton, and other commodities will have to be paid for at the world price and not at the much lower price they would fetch as unsaleable surpluses.

The $250 million set aside for "special weapons planning" is an intelligent scheme whereby a North Atlantic Treaty country can be encouraged to go ahead with the development of a new weapon which its scientists may devise but which it could not contemplate either promoting or producing from its own existing resources. As this scheme is designed to back up the impending overhaul of the plans for the protection of Europe with new and revolutionary weapons and defensive devices, it is a fair assumption that a substantial part of this fund may be devoted to the development of guided missiles in Britain, which has a clear lead in their design.

It is worth noting that, despite the pejorative statements which Mr Dulles has made from time to time about the value of Point IV for under-developed areas, and the generally anti-idealist approach of the Republicans to international affairs, the Bill proposes an appropriation for technical co-operation or Point IV which is larger than that granted last year. Indeed, the various forms of non-military assistance requested for the Middle East come to $234 million as against $181 million granted last year. Economic aid for India and Pakistan at $94 million is only a little less than the Democratic Administration asked for last year. There is no political dividend at this moment in extending a helping hand to India, since Mr Nehru is regarded as the most equivocal figure in the cold war. Despite the big shift of military funds from Europe to the Far East, it is clear that Mr Stassen, the Director of Mutual Security, has stood his ground in the detailed planning of the Bill both against the military and against those who would appease Congress at any price.

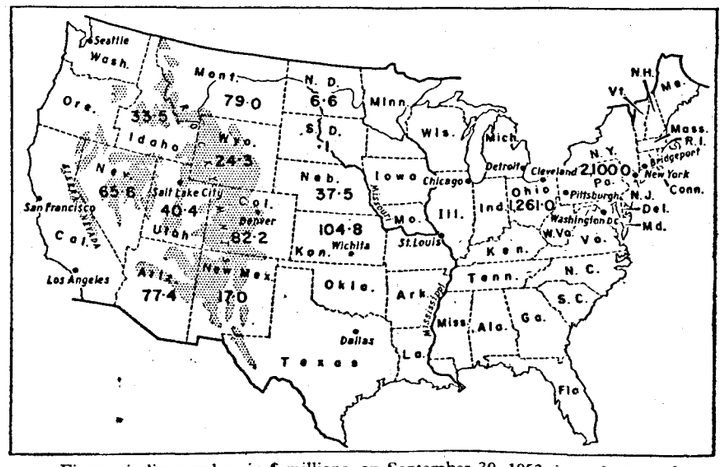
It is quite certain that Congress will cut the total figure requested, and the experienced prophets predict an eventual appropriation of about $5 billion, that is, a reduction of about $800 million. It will be very hard both to counter the argument for stringent economy and to explain away the existence of $11.9 billion of unspent funds voted in previous years for foreign aid, over $4 billion of which are still uncommitted to any particular project. The fact that the European army treaty, which Mr Dulles has encouraged Congress to look upon as a touchstone of European good faith, will not be ratified by the time the cutting process starts does not bode well for either the economic or the military requests for that continent, even if the two-year-old negotiations with Spain for bases are concluded in time to give Senator McCarran and Senator Bridges a faint feeling of warmth about Europe.

There is a distinct possibility that the new Administration may have been too ingenuous in its calculations. The Truman Administration, with hardly a blush, was in the habit of taking account of Congress's inability to resist wielding the axe, and to request about 20 per cent more than it expected to receive. President Eisenhower has asked in the gravest language for the full amount and no reductions, as have Mr Stassen, Mr Wilson and Mr Humphrey. Even Mr Dulles has adopted on aid a stiffness of back which unfortunately was quite absent from his testimony on freer trade. So far much the most effective Administration spokesman on both trade and aid has proved to be Mr Stassen, who has shown himself to be surer of his facts, quicker on his feet, and less easy to intimidate than any of his colleagues. He has combined a grasp of what he is doing with a humility about the role which his agency should play in the government hierarchy which is impressive, and it is possible that, as the Mutual Security Bill grinds its way from committee to committee through the summer, the foundations of a new political reputation may be laid.

Industry Stays Put

FROM A CORRESPONDENT IN COLORADO

ANYONE window-shopping along Main Street in any town between the Missouri River and the Sierras can see that nine-tenths of the manufactured goods offered for sale come from at least a thousand miles away. This applies to everything from automobiles to breakfast-foods; children in the great midwestern corn-wheat belt are fed on cereals made in Michigan. The qualification attached to prices, "slightly higher west of the Rockies," is familiar in national advertising. The region of the prairies and the mountain states has always been a supplier of raw materials and a buyer of finished products, a role which brings economic



Figures indicate value, in $ millions, on September 30, 1952, in each state of defence facilities for which tax amortisation certificates have been granted. The total value of these certificates for the whole United States on September 30th was $23,000 million.

inferiority, since it means that average incomes are lower while things bought are more expensive than elsewhere; an automobile which is priced f.o.b. Detroit costs from $100 to $200 more in the west than it does in Detroit or New York. It is this feeling of economic inferiority that has long made the region the most politically unstable in the country, one where popular upheavals such as the Nonpartisan League have flourished and where "Wall Street" is still a fighting word.

During and after the last war, it seemed possible that the atomic age might bring something approaching self-sufficiency to this central region, simply because of the danger of having most of the country's manufacturing capacity concentrated in the area between New York and the Great Lakes, where a few shrewdly placed bombs could paralyse its industry. The government actually went so far as to compel a few important industrial shifts; the Chance-Vought aircraft factory was transplanted from Bridgeport, Connecticut, to Dallas, Texas; and some of the facilities of the Boeing aircraft company were moved from Seattle, Washington, to Wichita, Kansas. Even the possibility of establishing an alternative national capital at Denver, or somewhere else in the Rockies, was discussed. But any more suggestions of compulsory transfers were quickly choked off by the angry protests of chambers of commerce in the industrialised regions, backed up by the local politicians.

Nor is there much to show for the efforts of chambers of commerce in the vast open expanses of the midwest, which banded together to preach the advantages of space, dispersal, climate, distance and a relatively plentiful labour force. A few of the smaller eastern industrialists were drawn by the elaborate brochures; a piston-manufacturer moved from Chicago to Pueblo, Colorado, a law-book company from New York to Colorado Springs. But the Nestlé company, which moved out tentatively from New York to Colorado Springs, went back again, and most of the bigger fellows appear to feel that decentralisation means leaving Manhattan Island for the suburbs of New York.

★

Even the government seems to have given up. At first most of its new atomic energy and other scientific activities were located in the empty spaces of the west, but now the big installations are being put up east of the Mississippi. More evidence of the government's backsliding can be found in the use being made in the mobilisation programme of the tax-amortisation device, under which companies are allowed, for tax purposes, to write off the cost of facilities considered essential to national defence in five years instead of twenty. At the end of April, certificates permitting such quick amortisation had been issued for new facilities valued at over $26 billion.

But about one-third of these were concentrated in the industrial north-east, in Illinois, Michigan, Ohio and Pennsylvania. Furthermore, these certificates are all designed to encourage the traditionally predominant activity of the region concerned rather than boldly to bring finishing and manufacturing industries into new areas. In the twelve western mountain and plain states, virtually all the tax amortisation permits that have been granted have been for the development of mining, or of preliminary processing of mineral and agricultural products. And these states, with a third of the nation's area and about 6 per cent of its population, have received in all only about 3 per cent of the national total of "certificates of necessity."

Since the last war the west has seen a steady absorption of locally begun industrial undertakings by their larger eastern competitors; promptly after this they become branch plants subject to orders from 2,000 miles away, or are perhaps closed down entirely. The same story applies to much of the raw material production and processing in the region. Mining enterprises, such as those for producing fluorspar and perlite, have passed almost entirely into the hands of absentee owners, who often shut them and keep them as a standby reserve. What usually happens is that a new regional enterprise is started by young men with an idea, courage and a scanty stock of capital; sooner or later they run into financial difficulties and find that money is much easier to obtain in the east, but that to get it they must surrender control. So most of them sell out and become branch managers of the enterprises they themselves started.

Over the years this has meant that local businessmen have become subordinates of eastern firms and are more interested in promoting their own enterprises than in building the community. For example, should Denver or Salt Lake City be chosen as a suitable place for making a new type of refrigerator, all the refrigerator dealers and wholesalers would immediately unite to preserve the area as their market, rather than to encourage a new industry. The big new buildings going up in Denver are financed by outside capital, from New York or Texas.

Yet in spite of this western cities still do have considerable home-grown and home-managed industry. In Denver, for example, there are the country's ninth largest rubber products company, its leading manufacturer (in units) of hand-luggage, several makers of equipment for mining (such as the world's chief manufacturer of froth-flotation machinery) with world-wide markets, and a small but thriving group of producers of specialised electronic and optical equipment. But the successful local enterprises either make small, light, highly fabricated articles that carry a low freight charge proportionate to their value, or spring from a traditional skill in producing special equipment for regional industries such as metal mining.

American Notes

Defence's New Look

THE general shape of President Eisenhower's defence programme is now becoming clear. The most striking change is the replacement of all four of the Joint Chiefs of Staff, the President's service advisers; even Admiral Fechteler, whose term had another two years to run, is to leave. If the reorganisation plan now before Congress goes through, the new chairman, Admiral Radford, will have more authority and influence than did General Bradley, and he is a man to make full use of his powers. Admiral Radford comes back to Washington from the Far East,

where he won the Secretary of Defence's heart when Mr Wilson accompanied General Eisenhower to Korea before the inauguration. More recently the Admiral won the Republican party's heart by advocating a blockade of Communist China as a way of hastening a settlement in the Far East. The appointment of this energetic and able man is made to order for Senator Taft; the Senator's distrust of the old Chiefs of Staff, particularly of General Bradley who was so closely involved in the Democratic Administration's policy of containment, is well known. But those who fear Admiral Radford's aggressiveness should remember that General Eisenhower was also closely involved in that policy and that final decisions rest with him.

Admiral Radford's earlier relations with Congress were not so happy, for he was the leading naval spokesman in the inter-service civil war fought between the Navy's super aircraft carriers and the Air Force's super bombers. It is a controversy that, in a different form, may soon be concerning Congress again, for the Air Force has taken the brunt of the President's cuts in the defence budget. These cuts are in plans for future spending rather than in actual spending in the coming fiscal year, which explains why they have fallen so heavily on the Air Force; its complicated and expensive equipment must be ordered far in advance and it has even more funds in hand than have the other services.

The cuts are apparently to be sold to Congress as a way of getting a stronger and more up-to-date Air Force more quickly, providing it with 114 fully equipped groups in a year's time, and 120 eventually, instead of building more gradually to the 143 groups which were once supposed to be ready in 1955. This is in fact the official new look of all features of the Eisenhower defence programme. Expansion is to be curtailed, temporarily at least, in favour of getting existing forces into fighting trim. But the promise of more immediate security for less money cannot conceal that the peak of rearmament is not only to be reached more slowly but is also to be lower—unless the new Joint Chiefs of Staff insist, as they may, on reversing this trend, about which their predecessors can hardly feel happy.

Almost the only way in which spending can be reduced quickly is by having fewer men to pay and feed; a slight reduction in the size of the forces is therefore coming soon. This will have the political advantage of lessening the number who have to be conscripted each month. President Eisenhower's request for funds for the Army, at $13.7 billion, is rather higher than Mr Truman's last January, but this is because provision for the Korean war is included; in the past it has been financed later by supplementary appropriations. The President is asking for $1.7 billion less for the Navy and $5 billion less for the Air Force, to which he allots $11.7 billion. Altogether the request for new defence appropriations for the 1954 fiscal year, beginning next July, is $36 billion, compared with Mr Truman's $41.3 billion; but actual spending in the year is put at only $2.3 billion below Mr Truman's estimate.

Tidelands—Third Time Lucky

PRESIDENT EISENHOWER is about to fulfil one of his most specific election promises and sign the so-called Tidelands Bill, just approved by Congress for the third time but twice vetoed by President Truman. The present version of the Bill confirms the title of states to submerged lands off their coasts and gives them the right to develop the resources of those lands, which means the right to grant leases for oil drilling. The authority of each state under the Bill extends to its historic boundaries, usually three miles out to sea, but three leagues, or over ten miles, for Texas and Florida. There is some doubt in these two cases, however, and this doubt is only one of the many reasons why Mr Eisenhower will not end the offshore oil argument simply by signing the Bill.

The fact that Congress has confirmed the claims of individual states to rights outside the three mile limit is likely to encourage other countries, such as Mexico, to press claims beyond that limit. If, in an attempt to make the division of rights absolutely clear, the Senate follows the House's example and authorises the federal government to develop undersea resources between the historic boundaries of the states and the edge of the continental shelf, then there may be new legal disputes over the exact limits of Texas and Florida. For in the Gulf of Mexico most of the oil is well out to sea.

Finally, and most important, states with no offshore lands but with Democratic Governors are planning to appeal to the Supreme Court against what the *New York Times* has called "the greatest give-away programme in history." These states dispute the power of Congress and the President to reward the voters of California, Texas and Florida (Louisiana resisted the temptation to turn Republican) at the expense of the voters of the whole country. The argument is that the President ought not to hand over what is widely believed to be a national asset to a few states whose claims the Supreme Court has refused to uphold.

The attempt of a few determined Democrats to make the public realise what was happening held up the Bill for nearly five weeks in the Senate, one of the longest debates ever remembered, although there was never any doubt of its approval by a large majority. Senator Morse, the independent Republican, became the record-breaking hero of this "educational effort" (a filibuster to most of the Senate) by speaking continuously for 22 hours. He has announced that he will provide equally sustained opposition to any other attempt to give away the national resources, such as the proposal of Senator Malone of Nevada for presenting the states with the rights to mineral resources under federally-owned lands. If the Administration gives the Democrats further opportunities for exploiting this issue during the coming year, it may also give them, as they hope, a winning card for the 1954 election.

Drowning in Debt?

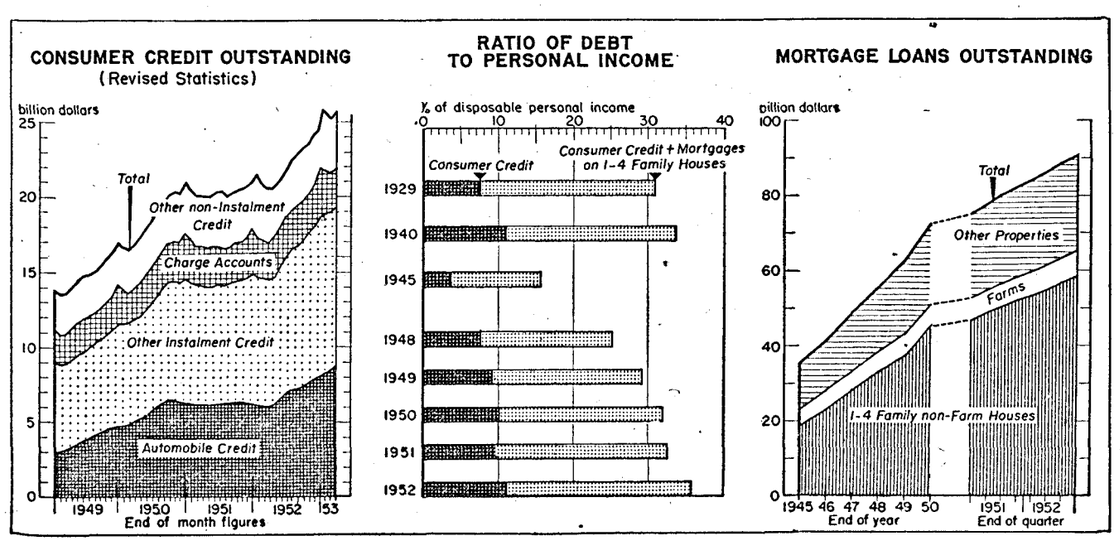
ABOUT the only element in the American economy that causes immediate concern is the rising flood of indebtedness. Not only is far more owed than ever before but commitments are also increasing, especially in the instalment credit, or hire purchase, field, faster than almost ever before. Those who feel that there is a danger that consumers will be unable to keep their heads above their debts, and will drag prosperity down with them, argue that the ratio of outstanding debts to disposable personal income (income after taxation) is higher than it was in 1929; for instalment credit, the present ratio is 6.8 per cent, compared with 3.9 in 1929.

But the Department of Commerce, in a reassuring article in the April issue of its *Survey of Current Business*, draws

attention to the higher 1940 ratio of 7.1 per cent. This, the author points out, was the result of the great development in the nineteen-thirties of instalment buying, a practice which was hardly out of its infancy ten years before, but which has now become a habit. It is to be expected, therefore, that consumers will spend a growing proportion of their incomes on hire purchase payments. The buying of houses on mortgage, the other important factor in the present total of consumers' debts, is a long-established practice, but here also the trend is upward; an increasing number of people would rather own homes than rent them. Furthermore, the natural rise in mortgage debt was accelerated by the postwar demand for houses, once building began again. In the same way, instalment purchases have been stimulated by the recent abundance of automobiles and other durable goods which were for so long difficult to find.

But neither houses nor cars would have been bought if people had not had plenty of money to spend and the Department of Commerce admits that there would be a real risk of consumers drowning in their debts should the steady postwar rise in incomes be checked. The wholesale repudiations of the nineteen-thirties are not likely again, since today consumers are much better supplied with liquid assets; nor would such repudiations be as disastrous as they were then, for credit insurance is now general and the losses would thus be more widely spread. But if personal incomes begin to decline, the burden of capital and interest payments on hire purchase and mortgage commitments would accentuate the inevitable fall in direct new spending.

Here again the government study finds a silver lining; interest charges are lower, compared with incomes, than they used to be. But they are now rising and even the rate on government-insured mortgages has at last, belatedly, gone up to 4½ per cent. One of the reasons why these increases have been encouraged by the Federal Reserve Board has been the hope that the rise in consumers' debts would be checked as a result. But if it is, say labour leaders, the country will be pushed into a depression by the consequent slackening in the demand for houses and durable goods; 60 per cent of all cars bought last year were paid for, at least partly, with borrowed money.



Press Bites McCarthy

WHEN he summoned Mr James Wechsler, the editor of the left-wing but anti-Communist *New York Post*, to testify before his sub-committee several weeks ago, Senator McCarthy may have felt that he was on sure ground. Mr Wechsler had made a secret neither of his membership in the Young Communist League from 1934 to 1937 nor of his outspoken liberalism over the past few years. What actually happened when Mr Wechsler took the stand, however, may have been something of a shock. In the first place, the committee's Baker Street irregulars, Messrs Cohn and Schine, had not done their homework properly: they were unable to name the supposedly Communist books by Mr Wechsler which they claimed to have tracked down in American libraries overseas. The Senator himself flatly stated, moreover, that in one of these books Mr Wechsler had denounced that star informer and repentant Communist, Mr Budenz. The resulting exchange showed immediately that Mr McCarthy had never even looked at Mr Wechsler's books. More important still, Mr Wechsler has now succeeded in obtaining the publication of a transcript of his testimony and this reveals that at several points other members of the sub-committee, such as Senator Symington from Missouri and Senator Jackson from Washington, both Democrats, strongly disagreed with the grand inquisitor.

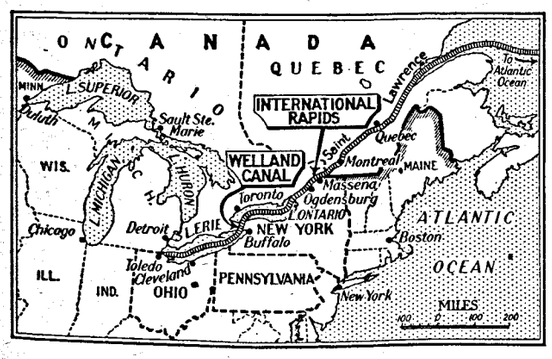
What is interesting is not only that such a clash between Senator McCarthy and one of his witnesses should have taken place at all (although that is heartening in itself), but also that Mr Wechsler is receiving so much support. This is the result of his appeal to the sacred principle of the freedom of the press. The *New York Times* actually bristled and the newspaper world has rallied against this attempt at intimidation. For Mr Wechsler and his paper have been outspoken in their criticisms of the Senator and it is difficult not to feel that the investigation was inspired more by a hope of muzzling Mr Wechsler than by a desire to track down Communist influences.

It has been particularly dismaying throughout this whole period of McCarthyism that the people who control

the media of public communication, though they have a vested interest in freedom of thought and expression, have on the whole refused to fight back. It seems to have taken Mr Wechsler to show that blood can be drawn even under kleig lights. In the face of a slump of the liberal mind such as McCarthyism represents, even as in the face of a slump in a liberal economy, what is most to be feared is fear itself. Mr Wechsler's courage should help others when they have to face the Senator.

From Toledo to the Sea

EVERY American President since Harding and every Governor of New York State since 1907 has come out in favour of the St Lawrence Seaway—the plan for opening up a deep water route between the Great Lakes and the Atlantic. But despite the obvious need for such a route and the fact that the project should be jointly undertaken by the United States and Canada, it has always up to now been lost in a maze of Congressional hearings. The Seaway has been stubbornly opposed by Gulf and East Coast port interests, by private power companies who fear the competition of the St Lawrence's hydro-electric potentialities, and by the Association of American Railroads. Now, however, the entire weight of the Eisenhower Administration has been placed behind the project. General Eisenhower has long believed that American security requires a relatively protected inland waterway; moreover,



the St Lawrence route would bring the now vital iron ore of Labrador directly to midwestern steel mills. But these new considerations were not enough to get the Bill through Congress the last time Mr Truman pressed it.

Under the Bill now proposed by Senator Wiley, a St Lawrence Seaway Development Corporation would be financed by government-guaranteed bonds to the value of about $100 million. The United States would limit its share in the project to the International Rapids section along the New York State boundary. This means in effect that sea-going vessels would be able to go up the chain of lakes as far as Toledo, at the head of Lake Erie. The original scheme had extended as far as Duluth in Minnesota; this would have been much more costly, since it would have involved the building of lesser canals and the dredging of more harbours.

The hydro-electric side of the project, on which Canadian agreement to the project depends, would, under the new scheme, be left to a joint undertaking, already agreed between the State of New York and the Province of Ontario, both of which are short of electric power; it will involve a mammoth generating plant costing each of them about $315 million. In the past the Federal Power Commission has been reluctant to let New York State handle the matter independently of the federal government. This reluctance may, however, be modified, now that there is a President who believes in letting the states deal with as many of their own affairs as possible. A decision from the FPC is expected shortly.

Since the federal government will no longer be involved in the electricity development and since the new scheme will be cheaper, and should in any case cost the taxpayer little or nothing, it is possible that this time the President and Senator Wiley will succeed in getting the Seaway Bill past the pressure groups. An additional factor in favour of the Bill is that Canada is now definitely prepared to go ahead alone on its side of the St Lawrence if the United States again refuses to participate.

SHORTER NOTES

The official reason for the presidential reorganisation of the Export-Import Bank, the agency which makes loans to facilitate certain types of exports, is that it will make it more business-like. But in practice there is a danger that it will make the bank easier to influence by political pressure. For the present board of five directors, one of whom is the Secretary of State, is to be replaced by a single managing director under the scheme, which will go into effect at the end of June unless disapproved by Congress.

★

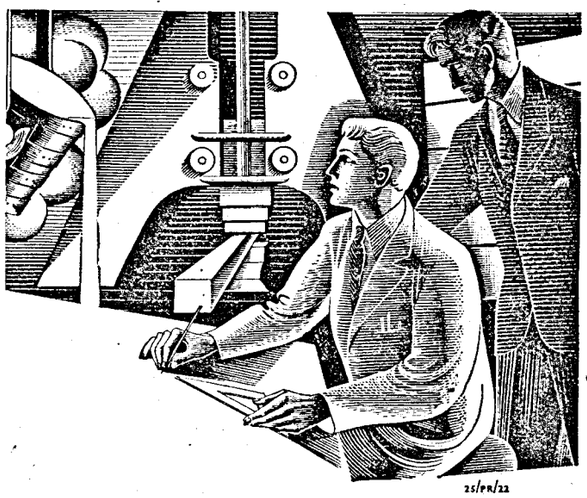
At last it will no longer be necessary for Congress to debate each year whether the national capital should follow the example of neighbouring cities and change to daylight saving time for the summer months. A Bill has now been passed leaving the decision to the Commissioners of the District of Columbia. But the opposition of rural Congressmen meant that this year Washington was several days behind other cities in changing its clocks, to the confusion of airline, railway and wireless schedules.

★

The special duty of 18 per cent that has been placed on wool tops applies only to imports from Uruguay and is intended to offset, under the anti-dumping laws, the subsidy which, according to the US Treasury, is being paid to exporters of wool tops by means of a manipulation of the rate of exchange by the Uruguayan government.

★

Collier's is a magazine intended to appeal to every member of the family, but nowadays people look at television so much that they have no time to read it. So from the beginning of August they are to have two weeks for each issue instead of only one. Bi-weekly publication is also intended to appeal to advertisers and to prevent the magazine from losing money next year as it did last.



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New designs with higher standards of performance often require improved materials. It is the job of the metallurgist to see that these materials are available when required. He and the designer both have the same objective — the project which in a few years' time may be depending on materials not yet commercially developed.

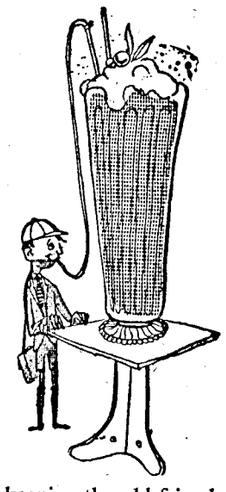
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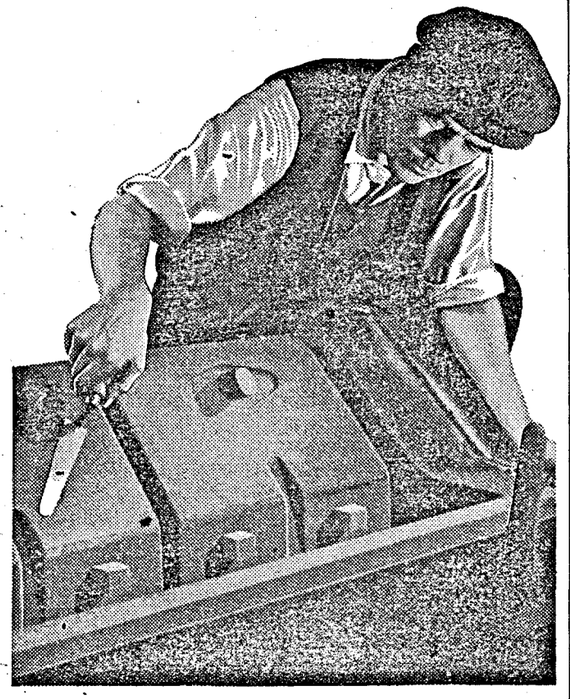


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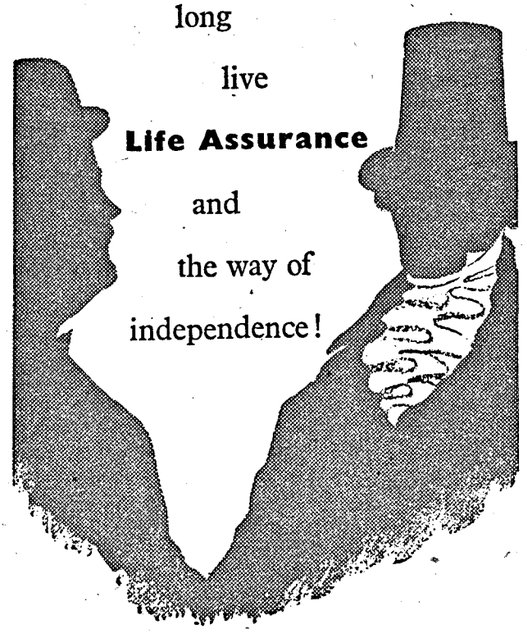
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The World Overseas

Malan and the English

FROM OUR JOHANNESBURG CORRESPONDENT

A VICTORIOUS Bolingbroke who also happens to be a republican, Dr Malan after his sweeping electoral victory professes to find the English almost as much a problem as Henry found Richard. Politically relegated to Pomfret's Dungeon, the English are unlikely to make a quick comeback, but meanwhile they are also likely to prove an awkward captive. "In the election," said Mr Strydom, who is Dr Malan's probable successor at no distant date, "the English-speaking section voted virtually as one *bloc* against us." The *Burger* noted the same fact in almost the same words, though it pretended to find this "surprising and discouraging." The *Transvaler* lamented: "How was it that there were 18 genuine urban seats in which the Nationalist Party did not even dare to put up a candidate? Why were the majorities so great in the thoroughly urban seats that many candidates lost their deposit? The city people stood as a solid *bloc* just where they have always stood. Not a trace of Afrikaner influence could be seen. The wall of entrenchment about the English was nowhere broken through, and there is no hope that it will be penetrated within foreseeable time."

What the Nationalists are admitting is that they won a majority of seats with a minority of votes. They are in power, probably for a long time ahead. They did not carry even all the Afrikaners with them. But the solid core of resistance to them, more clearly visible now than ever before, is represented by about 1,000,000 English-speaking South Africans, whom the *Transvaler* sums up as "the unreachable Englishman." With the non-Europeans temporarily battened down under Mr Swart's Public Safety and Criminal Law Amendment Acts, the Nationalists' real political problem has become "what to do with the English."

Invitation

Dr Dönges lost no time in supplying, by implication, a simple answer. Addressing himself to the politically defeated English, he asked: "Do you want to exclude yourselves permanently from a share in the government of South Africa? If you want to be fellow-citizens, you must not exclude yourselves from the party which for many years in the future will form the government of the country." The *Burger* earnestly recommended the same solution. It urged the English to "overcome their vague fears of Afrikaner aggression in the most effective way"—by joining the Nationalist Party. For "no Nationalist Party would dare to violate the rights of the English-speaking people if it was dependent upon English-speaking support."

In the mouth of Dr Dönges, who has already made it more difficult for British immigrants to become South African citizens, the offer seems less a blandishment than a threat. So does the *Burger's* conditional offer of a non-violation of English-speaking rights. In fact, as the *Transvaler* frankly admitted, there is no prospect of any large number of English-speaking South Africans joining the Nationalist Party. If they did, South Africa would be well on the way to becoming a one-party state—which of course may be what Mr Strydom wants.

Dispensation

Meanwhile the country continues to be ruled by a party representing one white section only, with the English virtually disfranchised; and, as Dr Dönges said, the Nationalists are probably in power for a long time to come. Without some alteration of the electoral machinery, it is indeed difficult to see how the Nationalists can now ever be ousted. The Nationalists are quite likely to alter it, but only in a way that would further entrench their power: if they lower the voting age to 18, this will certainly bring in more Nationalist than anti-Nationalist voters. As the *Transvaler* piously remarked: "Is it not again a marvellous dispensation of God that English-speaking people are turning their backs on the teaching profession and that it is increasingly being left to the Afrikaners to man our schools?"

Out on a limb, the United Party shows distressing symptoms of being at sixes and sevens as well. Senator Heaton Nicholls thinks the political marriage between Boer and Briton which was solemnised but hardly consummated in 1910 has failed, and that there should be a divorce. United Party spokesmen condemn this as "preposterous." The *Burger* does not believe Natal's secession threat is real, and crows: "The Natal leader of the United Party, Mr Douglas Mitchell, will see to that. . . . It is proper that it is the United Party that has to handle this hot potato." However adept it may prove at handling the hot potato, the United Party shows no signs of being able in the future to preach more effectively that it has done in the past a "South Africanism" that would successfully counter the tribal appeal of the *Boerenasie*. Mr Nicholls's suggested cure may be impracticable, but his diagnosis can scarcely

be sneered out of existence. Given the existing electoral set-up, the facts surely support it.

Dr Malan is 79. Mr Strydom is 20 years his junior. Mr Strydom not only wants a republic, he wants one language instead of two. There seems nothing to stop him getting it, short of a split within the Nationalist camp, of which there is at present not the least sign. The English, and a minority of the Afrikaners, have already cast their votes unavailingly against "Strydomism." They are unlikely to be able to muster more votes in the future. On the contrary, their voting strength may already have passed its peak. Nothing succeeds like success, and it is not inconceivable that Dr Malan will get his two-thirds majority yet.

The United Party did not lose the election because it was too liberal in its approach to non-Europeans. As the political commentator of the Natal *Daily News* correctly pointed out, "the United Party wisely addressed itself to that broad mass of South African opinion which is as yet rather more inclined to diminish non-European rights than to extend them. . . . So far as the colour question is concerned, public opinion in South Africa is still overwhelmingly reactionary." But this did not avail Mr Strauss. A more "liberal" approach would, of course, have availed him still less. If some "liberals" now break away from the United Party, this will not make much difference, except to weaken the party further. But in any case the electoral dice are heavily loaded in the Nationalists' favour.

Full Circle

It now remains to be seen what the Nationalists will do with their victory. Their tone has so far been moderate. They would prefer to woo the English rather than keep them politically locked up. If the *Transvaler* is right, the wooing must fail. Since it is the Nationalists themselves who have rejected "South Africanism," the English could become good Nationalists only by becoming "good" Afrikaners. The English will instead become a large, disgruntled political minority in a house redesigned by Mr Strydom chiefly for the convenience of Afrikaners. Some of them may decide to leave, but the majority will surely remain, though in an unhappy, chafing state. In that case there will be no South African nation. All that will have been achieved will be that the wheel will have come full circle from the years immediately after the Boer War, with Mr Strydom taking the place of Lord Milner and the English in the place of the defeated Boers. The English are unlikely to produce a Hertzog to turn the political tide in their favour, any more than the Nationalists are likely to produce a Smuts or a Botha able to heal the wounds. As even Mr Strydom wants a South African nation, though on his own terms of total English capitulation, the Nationalist victory will to that extent prove self-defeating.

But before this melancholy repetition of history has had time to work itself out, a factor which can never be ignored may upset all calculations. Boer nationalism already stands opposed to a growing and hardening black nationalism. In the long run, "the unreachable Englishman" was never the real enemy. On the colour issue, the two white sections in South Africa do stand close together. But they stand close together only in reaction, and on the other issues that divide them they were never farther apart. This is the essential tragedy of white South Africa as a whole.

Cold Spring in Strasbourg

FROM A CORRESPONDENT

THE Continent has been having its coldest spring for years. Perhaps this weather affected the delegates to the Consultative Assembly in Strasbourg as they shivered last week on the steps of the House of Europe under the bleak sky. Their main task was to consider the draft treaty for a European Political Community (EPC) which has been compiled over the last six months in the hot-house atmosphere of the six-power *Ad Hoc* Assembly. (See *The Economist* of January 10th.) Last week's debate suggests that this exotic bloom has been transplanted too soon to face the rigours of a cruel spring.

Strictly speaking, the Consultative Assembly was asked to consider only the articles governing association between the six-power community and the other members of the Council of Europe, and the effect of EPC on the unity of Europe as a whole. In any case, the decisions of the Assembly are not binding on any one. But it has provided a valuable picture of parliamentary opinion in Europe, at least for those who recognise that enthusiasts for union are over-represented there; and the tone of its debate may have influenced the ministers of the six powers when they met in Paris to consider the treaty on Tuesday.

In December, 1951, when M. Spaak resigned as president of the Consultative Assembly in disgust at its timidity, a mood of exalted passion inspired most of the Continental delegates, who plunged into the task of building a six-power federation six months later with confident excitement. Very little of that mood survives today. Even the remaining enthusiasts seem moved more by obstinate determination than by heroic verve. And, oddly enough, some of the British delegates, who a year ago seemed to be encouraging the Continent to go ahead in the assurance that Britain would find a way of associating with their community, have now gone out of their way to attack it.

No Concept of Hegemony?

Last week, consistent support for EPC came only from representatives of the government parties in Germany—notably Herr von Brentano and Herr von Merkatz. But the impact of their support was weakened by an interesting dispute about Article 103 of the Draft Treaty. This article states that "When a member state regains jurisdiction over a territory which formed part of that state on December 31, 1937, the present statute shall *ipso facto* become applicable to the said territory." It had been accepted without discussion by the constitutional committee of the *Ad Hoc* Assembly, but it was strongly opposed by the German Socialists, who had boycotted the *Ad Hoc* Assembly, on the ground that it would prejudice the possibility of negotiations with Russia over German unity. Moreover, the legal committee of the Consultative Assembly held the article to be void in law. Nevertheless, Herr von Brentano argued strongly for retaining the article. In doing so he referred to Mr Boothby's point that the EPC was based on an unstable equilibrium between Germany and France which German re-unification would be bound to upset. Herr von Brentano replied that the concept of hegemony no longer existed for Germany; therefore the relative weight of the various members of the

EPC was less important, and a reunited Germany must be admitted without changes in the Statute other than an increase in the number of German seats. It can be imagined that this statement did not notably increase French enthusiasm. In the end the assembly decided to ask the six powers to reconsider Article 103 in the light of its criticisms.

Of the French delegates only M. Teitgen gave the EPC warm support, though even he qualified this by suggesting that the defence community might be abandoned if Russia showed a real desire for peace. M. de Felice (Radical) reiterated M. Bidault's demand that the Saar problem must be solved before the Continental community was built. M. Plaisant, the Left Republican chairman of the Senate Foreign Relations Committee, strongly attacked the EPC's projected supranational powers, and M. Saller, of the same party, claimed that France's seven extra seats in the Peoples' Chamber of the EPC were quite inadequate to represent the 78 million overseas members of the French Union.

The Divided British

Many British delegates also spoke in many voices. Despite the official neutrality of both Conservative and Labour parties—due to fear of taking the blame for the possible breakdown of the EPC—Messrs Boothby and Amery made impressive criticisms of the EPC treaty as likely to produce new divisions in Europe. Lord Layton and Mr Longden, however, warmly welcomed the treaty. Official British caution produced an amendment under which the Assembly, instead of asking the six governments to proceed to "the speedy conclusion of the task they have undertaken," simply requested a "speedy decision on the draft before them."

The attitude of the Continental delegates this time was very like that of a young man who, having run away from home in a mood of excited defiance, returns quiet and chastened in the hope that all will be forgiven. Thus the retreat from a six-power Little Europe is producing a new desire to make something of Big Europe, and in particular to find a real function for the Council of Europe itself.

This was very evident in the meeting of the Committee of Ministers which preceded the Consultative Assembly. M. van Zeeland, who presided in the absence of Mr Eden, made valiant attempts to take the initiative, and persuaded his colleagues to begin framing a "programme of action" for the committee. But its only decision of note last week was to appoint a personality of eminence to study and make recommendations on European problems of refugees and over-population. It had been hoped that the committee would finally sign a number of agreements submitted in the last year or so by the Consultative Assembly. It had failed to sign them before because France insisted that the Saar government should add its signature, while Germany refused to be party to any agreement signed by a government it does not recognise. It seems that last week France and Germany had reached agreement on an expedient for overcoming this obstacle, when the representative of the Saar government, though sitting only as an observer, managed to torpedo it.

Symptomatic of the general trend away from Little Europe was the ministers' decision to authorise the building of a new wing to the House of Europe in Strasbourg, in which to house the organisations of the Six. M. van Zeeland himself told the assembly that he favoured the establishment of a permanent committee of ministers' deputies in the Council of Europe analogous with those in Nato and OEEC. M. van Zeeland has already emerged as the most outspoken sceptic about EPC among the governments of the six powers. He told the Belgian Chamber last February that in no circumstances would he support entry into a Continental federation, and he warned the Consultative Assembly last week against over-ambitious conceptions which might weaken the unity of the Fifteen in the Council of Europe.

It seems possible that a general retreat from Luxemburg to Strasbourg will now get under way. But there is still no indication whether, even if the Continental countries do abandon their federal ideals, the Council of Europe will be able to provide a satisfactory alternative. It was the utter futility of the Council of Europe which originally converted many Continental politicians to federalism. Three years ago Britain welcomed the decision of the Continent to pursue federation without her as at least relieving her from the charge of dragging her feet. The threatened breakdown of the attempt to build a federal Continental community restores to Britain the embarrassing responsibility for making something of the Council of Europe. So far only one suggestion has been made in this field—the so-called Strasbourg Plan for a Commonwealth-Europe economic grouping. This plan was frigidly ignored by the last Commonwealth conference, but the stiffening of America's foreign trade policies has created a new interest in it which was evident in the economic debate with which the assembly concluded its sitting.

The Chinese Seat in Uno

MR ATTLEE, speaking for the Labour Party in the debate on foreign affairs on May 12th, declared that he was "more certain than ever" that "as soon as aggression had been halted China should take her rightful place on the Security Council." To the Prime Minister's interjection "Not while actual fighting is going on?" he replied that it should be "soon after the armistice." There is, indeed, every prospect that this question will come up again at once when an armistice is concluded. It will then not only become an issue in the peace negotiations, over which Britain and the United States will find difficulty in agreeing, but will also start off again that canvassing for votes in the UN which was becoming a serious threat to Anglo-American relations at the time when the British government desisted, on account of the Korean war, from its endeavours to seat the Peking delegates in defiance of American policy.

The political issue involved is complicated by the legal aspect of the matter. There may seem to be an advantage in reducing a political controversy to legal terms, but unfortunately the law itself is in dispute, and there is even a danger that the opposed policies will be made more rigid by the conviction of each side that it is legally in the right. The British official view, at any rate, is that international law definitely requires, as a matter of obligation, the course of action which successive British governments have thought it wise in the national interest to pursue; the Americans, for their part, are inclined to be irritated at the British assumption that all the world should bow to the legal authority of Professor Lauterpacht.

The question is not, of course, whether "China" should take her "rightful place" on the Security Council, for "China" is there already, but whether the delegates of the Peking government—at present recognised as the *de jure* government of China by Britain, India and the Soviet Union—should replace the delegates of the Taipeh government—at present recognised as the *de jure* government of China by the United States, France and Australia. Both Chinese governments exist with organs of administration and armed forces on Chinese territory, but whereas the whole mainland of China is effectively controlled by the government in Peking, the government in Taipeh only rules over an island less than half the size of Ireland, which, in the generally accepted view, it could not continue to hold without the aid and protection it has been receiving from the United States. If Britain and Russia, acting together, were to collect enough votes to produce a majority for seating the Peking delegates, with the United States in a minority, a very critical international situation would arise. America could not be compelled to transfer its own recognition to Peking; but the Peking government, having been recognised as the lawful government of China by the United Nations, could then appeal against American support of the "rebel" Taipeh regime as an act of aggression. In theory, Britain would then have to join in condemning America and perhaps even in coercive measures to force America to abandon Formosa.

The Fate of Formosa

The American policy of refusing to transfer recognition from Taipeh to Peking is inseparably bound up with the American view that Communist China is a hostile power and that Formosa is a position of such strategic importance that it should not be allowed to fall into the hands of a hostile power. If the United States were to recognise the Peking government, it would then be bound in international law to stop all aid to Formosa, for that would be support for rebels against the recognised government. The British view, however, is that every nation ought to recognise the Peking government simply because it has effective control of nearly all the territory of China. Mr G. G. Fitzmaurice, Second Legal Adviser to the Foreign Office, has stated the view, in an article just published in the "Year Book of World Affairs 1952," that "if a government in fact represents a Member State [of the United Nations], refusal to allow it to occupy the seat of that Member . . . must be regarded as contrary to the purposes and principles of the Charter."

The Americans incline towards an alternative legal doctrine whereby recognition is not automatically required by the control of territory, but should be conditional on evidence of intention to conform to certain standards of international conduct in new governments claiming recognition. Mr Fitzmaurice's reply to this is that such conditions of recognition cannot in practice be applied to already existing governments, but only to new ones which come to power by revolutionary violence, and that, a principle "capable of application only in very restricted and special circumstances cannot be said to be of universal validity." On the other hand, if the United Nations is to be based on moral principles at all, it certainly seems a strange idea that a government which for three years has been waging war against the forces authorised by the United Nations to curb aggression should have an unconditional legal right to take over representation on the United Nations organs. There is surely something in the American contention that Communist China cannot be allowed to "shoot its way into the United Nations," or even to push in immediately it stops shooting. It remains on record as a verdict of the United Nations Assembly that Communist China committeed aggression by joining North Korea, and there can be no obligation to seat its delegates before this little matter has been satisfactorily settled.

Indianisation for Foreign Firms

FROM OUR CORRESPONDENT IN INDIA

THERE has been a growing agitation in favour of increased recruitment of properly qualified Indians by foreign firms, combined with a levelling up of the conditions of service between foreign and Indian staff. In 1947 there were only 451 Indians in foreign firms drawing a thousand rupees or more per month, against 5,507 non-Indians. By 1952 the number of Indians had gone up to 2,137, while the non-Indians had increased by 1,154. These figures have been released by the Ministry of Commerce and Industry in answer to a general hue and cry for more "Indianisation." Last July, the Ministry requested all foreign concerns to report the number of Indians and non-Indians paid under Rs500 a month, between Rs500 and 1,000 and above Rs1,000. The percentage of Indians in the first group has gone up in the past five years from 96 to 99, and in the middle group from 58 to 85. But the public feels that the increase in the higher group, from 7 to 24 per cent, is not steep enough. Moreover, some bitterness has been created by the alleged failure of certain firms to reply. Since October some firms have been penalised, by a discriminatory use of import licences, for what the government considered a lack of good faith, but now most firms have sent in their returns.

The ratio of Indians in the higher salary bracket varies from industry to industry: in the case of plantations it is very low indeed, while in the case of oil firms it is as much as 25 per cent; and Lever Bros., for example, probably heads the list with as much as 51 per cent. The government's stand is that it expects foreign firms to Indianise as quickly as is compatible with efficiency, but that allowances will always be made where qualified Indians are not available. It is anxious for foreign capital to help train Indians, and is therefore reluctant to imitate Ceylon or Pakistan: in Ceylon it is practically impossible to import a foreigner, in Pakistan import of technicians is often suspended until at least 50 per cent of the jobs are held by Pakistanis. The Indian government feels that it can rely on the co-operation of the foreign firms to Indianise in their own as well as the country's interest, at a pace which will not rouse political hares. But unfortunately public opinion has responded with astonishing alacrity to a report written by disgruntled employees who claimed to be victims working in "1,200 little South Africas," although at no point of the report was it made clear why, in a free country, they had voluntarily entered those South Africas.

Indianisation is a must. Beside political considerations, there are factors beyond the foreign employer's control which operate in the west in favour of Indianisation: full

employment, free education, free health schemes, congenial climate, family ties, the wife's reluctance to expatriate herself in a country with a foreign language and foreign diseases; separation from children, the fact that taxation in India is practically as high as in Britain and higher than in the USA, and that the retiring age is much lower in the East; the cost of living away from home and of perhaps giving up one's house and losing one's friends. It becomes, therefore, difficult and expensive to find first-class people willing to give up their home prospects, even if they come out for their tenure of service. Moreover it is to the advantage of the foreign employer to have Indians in the higher levels because, in due course, they will carry more weight with the government.

Snobbery and Seniority

But the foreign employer is often faced with real difficulties in his endeavour to Indianise. Until 1947 many of the better people considered business beneath them and joined government service; and even today many young men consider certain jobs, in plantations or factories, incompatible with their social background. Time must be allowed for the years it takes to train a man to a senior position—whether in India or at home—and, since industry is still relatively new to India, there is often no alternative but to import. Seniority must take its course. The employer cannot promote men out of turn, nor can he sack good men simply because Indians have by now reached the same level. The natural process of wasting out must be permitted if business is to retain the loyalty of its staff. What was true of the Indian Civil Service is true of business, it takes time for people to acquire seniority; the process can only be accelerated at the expense of quality.

While it would be rash of foreign firms not to give full weight to the force of national sentiment, it could be equally damaging if Indians were to overlook two points. First, if there is any virtue, as a leaven or example, in non-Indian management, it should be allowed to retain its character, which means not only retaining non-Indian seniors in certain key posts, but recruiting non-Indian juniors to succeed them. Second, the actual number of senior posts in foreign controlled firms is small in proportion to the number of comparable posts now or later to be available in Indian private or state industries or government services. When all should be pulling together for the sake of India's industrial development, it is a pity to disturb a small but valuable element.

But one thing is certain: foreign employers must narrow the gap between the way they treat their local and imported staff. For equal work, they ought to give equal basic pay; facilities such as medical attention, educational grants and pensions should be given without discrimination. At the same time foreign employers should be quite ruthless in their weeding out of unsatisfactory staff, whether foreign or Indian—for the employment of one poor foreign recruit is far more damaging to the firm's labour relations than the sacking of a fairly competent Indian—and it is high time that they adopted a far-sighted recruitment policy instead of the haphazard methods which seem to have been used in the past. The government intends to ask for a yearly statement on the progress of Indianisation and this would facilitate matters greatly. Besides planning their Indianisation on a rational basis, foreign employers could further allay the suspicion of their own staff that to be an Indian is a handicap, by posting Indians abroad on exactly the same basis as westerners; if their training in the east does not equip them for a post in the west, they can be posted to Siam, Malaya, Burma, Hongkong, Japan, the West Indies, the Middle East, or Indonesia, where this objection does not apply.

Meanwhile, it would be politically wise to appoint a consultative committee of high level government servants and businessmen to review the programme and investigate complaints. Such a committee would lance the abcess and remove it from the public eye and the slippery terrain of politics. Already there has been a considerable amount of damage done. Some foreigners are going while the going is still good from the point of view of re-employment at home—and they are precisely the type who are most wanted to train their Indian successors. Even more important, incalculable damage has been done to the confidence of would-be investors. What the government has failed to appreciate is that private business rests upon the willingness of the general public to subscribe its shares; business confidence, therefore, rattles only too easily, and once it has begun to rattle, it rattles long, particularly when the base of the pyramid is miles away from the top.

There is one more important consideration that the government of India ought to keep in mind. India needs government-to-government loans desperately if it is to carry out the Five-Year Plan without drowning itself in deficit financing; but India needs private foreign capital quite as desperately, for along with it come—perhaps even more valuable than the actual capital invested—the men to train the Indian artisans, technicians and managers who will provide India's needs tomorrow.

Untidy Triangle in Italy

FROM OUR ROME CORRESPONDENT

AS soon as the general elections of June 7th became imminent, the question arose whether this nation-wide struggle would sort itself out into a fairly simple triangular pattern, or appear instead as a polygon with one or two greatly distended sides. In April, 1948, the general election appeared in the light of a duel between the Christian Democrats and their close associates and the Communist bloc, but last year the growth of the extreme right turned the local elections from Rome southwards into a three-cornered contest.

Now that the competing lists have been entered and the candidacies registered, the triangle can be recognised as the prevailing tendency, but it is untidily worked out in detail at each of the three ends. The strongest of the three broad groups, the Centre, looks outwardly tidy enough. The three minor parties which linked their fate with that of Christian Democracy, and brought it most valuable support, in 1948, are now tied up with it in a family compact (*apparentamento*) such as the new and violently controversial electoral law—broadly similar to the French—allows to be formed; and by a "correcting" device, if the centre parties, pooling the votes cast for them, obtain 51 per cent of all votes, then as the winning list their candidates get 65 per cent of seats in the Chamber, distributed within the family group proportionally to the votes won by the single parties. The minor parties, and most of all the exiguous Republican party, needed the prospect of sharing in a truly generous "majority

premium" if they were to face the elections with any confidence at all. Yet there was anxiety among these lest the majority premium should be so large as to procure for Christian Democracy by itself more than half of all seats; it would thus be in a position to cut adrift from and ignore its small allies in Parliament when the election was done.

Eminent Deserters

Agreement having been reached on the terms of the law, the parties made their family compact, and on paper at least all was well. The principle of the electoral reform was, however, deplored by some men in all of the parties. Among the Christian Democrats there were those who thought the party strong enough to go to the elections alone; in the Left-Centre parties there were those who nurse the ambition of forming a Constitutional opposition against Christian Democracy, on the assumption that the Communists have practically put themselves outside the parliamentary state. In fact, the compact has been brought into being only at the cost of the desertion from the secular parties of some of their most eminent members. The votes they register may be few, but the Left-Centre, which at one time claimed the moral leadership of postwar Italy, is now divided against itself as never before.

In the triangular pattern, then, the constitutional family group represents one fairly sharply defined angle, though the definition has been won at a cost. The extreme Left angle exhibits no such formal unity. Communists and "Nenni" Socialists go into the election presenting separate lists, contrary to their proceeding in 1948. Thanks to a system of preferential votes, the Communist party took 131 out of the 183 seats won by the Popular Front in 1948. How the voting support of the Communists really compares with that of the "Nenni" Socialists has never been clearly tested since the latter lost their right wing through the defections, in recent years, of Saragat and Romita. Now, however, Nenni is going to the elections with separate lists. His programme speeches contain no hint of impatience with the Communists, or of infidelity to the pact of union which binds the two Marxist parties. His electoral campaign seems, however, designed for two ends: to strengthen its own relative position as one of the two Kremlin-blessed parties in Italy by a more graciously rhetorical appeal than the Communist doctrinaires are capable of launching, and to intercept malcontent Communist votes found to be drifting towards Social Democracy. Recent municipal elections afforded glimpses of a possible recovery of the Nennians at the expense of their Communist comrades. The failure of the extreme Left to form a family compact shows clearly enough that it entertains no hope whatever of winning more than half all the votes, and so qualifying for the premium.

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The third angle of the triangle, the extreme Right, displays still less of a definite unity. Joint lists of Monarchists and neo-Fascists won great municipal successes in the south last autumn. But neither of these two right-wing parties' leaderships can afford to estrange their respective devotees of Savoyard traditionalism and of Mussolinian quasi national-socialism. They have been forced to enter the lists separately. The Vatican has already told the faithful that it would be no more appropriate in 1953 than in 1948 to deflect anti-Communist votes from Christian Democracy to the right-wing parties, which have no conceivable hope of any greater success at the polls than would be sufficient to deprive Christian Democracy and its allies of the premium. Nevertheless, the Right wing expects to increase its representation in the Chamber (now a bare score of deputies) and would doubtless do so several times over were it not for the unkind operation of the electoral law which has the wonderland property (like Alice's mushroom) of diminishing stature wherever it does not augment it.

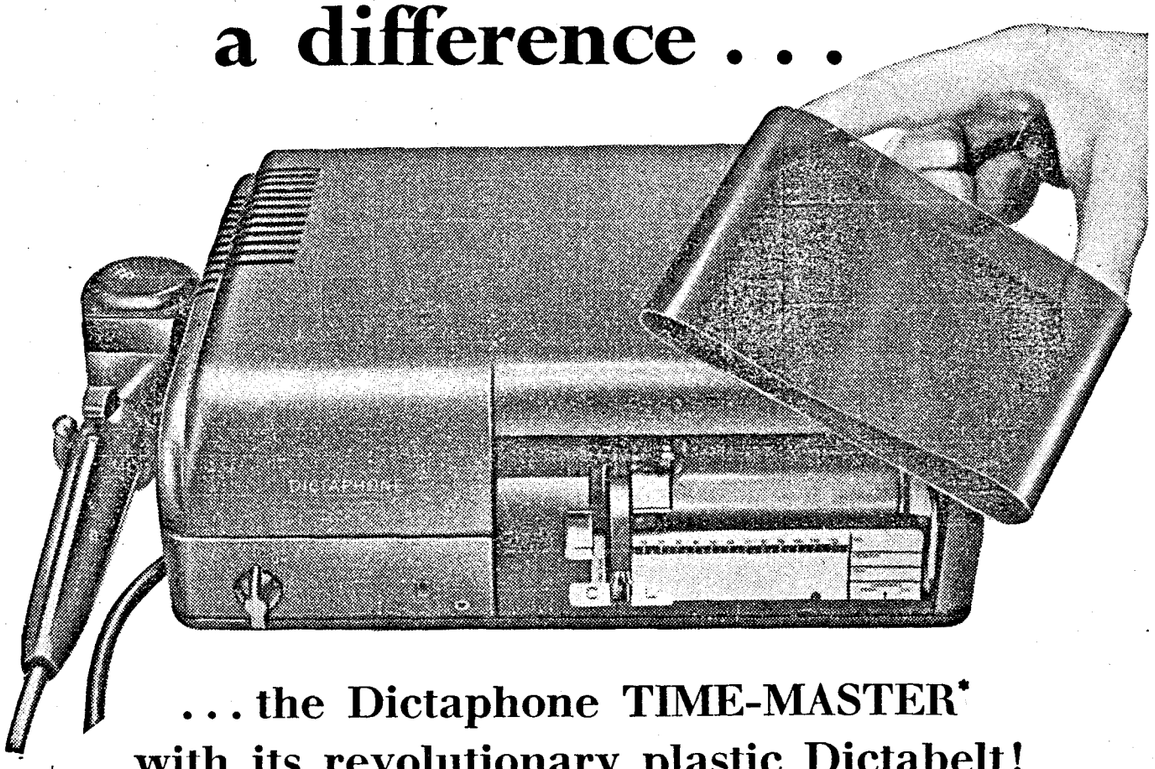
Since little doubt is ever expressed that the Centre family group will win 65 per cent of seats, the chief curiosity is what proportion the Right opposition will bear to the Left opposition; and whether inside each of these oppositions the more moderate of its components (Monarchists on the Right, Nennians on the Left) will put up a good show against the extremes.

Hasty Renewal of the Senate

The foregoing relates entirely to the election for the Chamber of Deputies under the new system of "corrected" representation. But the electorate is called upon to choose also a new Senate. The Constitution of 1947 set up the two elective chambers, differentiated in the main only by the requirement in both electors and candidates for the Senate of a slightly higher age qualification. There was, however, one deliberate diversity. The Senate's life was to last a year longer. In fact the present Senate could have continued until 1954. But after the riotous proceedings in the Senate in the early spring, and a succession of resignations of presidents and vice-presidents, President Einaudi used his prerogative to dissolve it. Consequently, against the intention of the Constitution builders, who believed that they had neatly secured continuity in affairs by ensuring that both houses should not suddenly and simultaneously change their political composition, both Chambers must be renewed on June 7th.

The Senate was dissolved in such a hurry that the electoral law as regards the Upper Chamber had to be left unchanged. The Senate will therefore be elected by "straight" proportional representation, giving the oppositions of both extremes a much better chance than in the Lower Chamber. In the Senate, in fact, the Government may have little hope of more than a very narrow majority. This is not altogether a new situation, as in the outgoing Senate, by a special postwar provision, there were 107 members returned unopposed; these were old parliamentarians who had been ejected, or distinguished figures who had been persecuted by the Fascists, and at least 46 of them were Communists or near-Communists. This provision now lapses. The outcome of the June elections may be a Senate with a considerably weaker centre and stronger Right wing than the Lower Chamber, and the Left is already representing Signor De Gasperi as doomed to depend on the vote of quasi-Fascists in the Senate.

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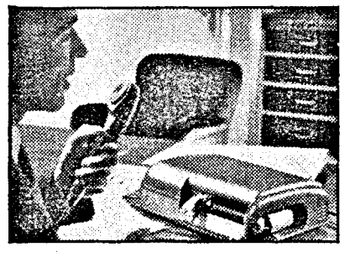
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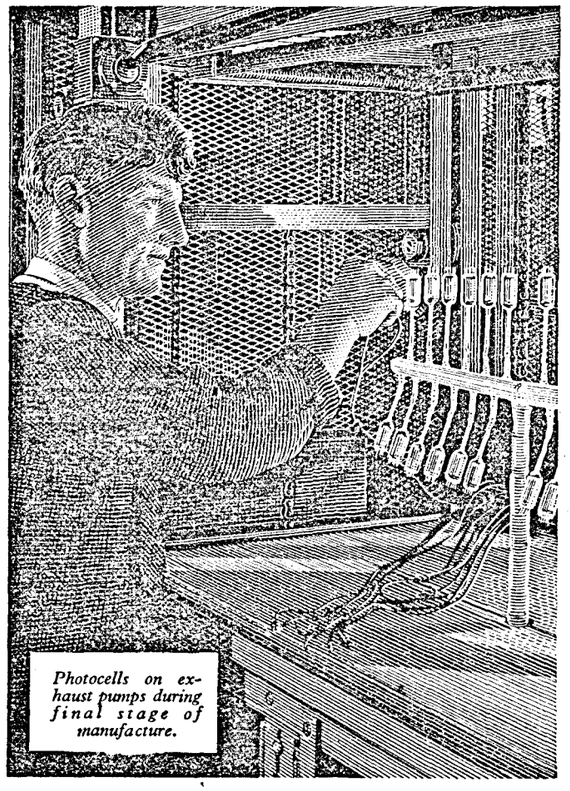
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THE BUSINESS WORLD

Buyers for Steel Shares

WITHIN a day or two, the Iron and Steel Bill, which provides for the return of iron and steel undertakings to private ownership, will be law. Within a month or two, perhaps, the first of the major devesting operations may have taken place. Much preparation has already been made in advance of the formal setting up of the Iron and Steel Holding and Realisation Agency, which is to take over the steel securities now held by the Iron and Steel Corporation and dispose of them under the supervision of the Treasury. No time limit is laid down in the Bill for the process of disposal, and the Agency will continue in being as a holding company and as a vendor until the Treasury decides that its duty of securing the return to private ownership of the steel undertakings that it acquires from the Corporation has been "substantially" discharged.

Clearly, however, the Agency will be anxious to score one or two immediate successes—if possible, before the holiday season begins—and to dispose of several other big undertakings in the autumn. There are, for the sake of argument, half a dozen major concerns that would be eligible for an early place in this first phase of the timetable. Dorman Long, Stewarts and Lloyds, United Steel Companies, John Summers, Colvilles and Lancashire Steel should be among the early starters. Apart from the special case of Steel Company of Wales, this list leaves out of account the important steel undertakings of English Steel and Guest Keen Baldwins, formerly in special ownership. It would not be possible to claim that the re-selling of these six companies, and even a few more like them, would substantially complete the Agency's work; but at any rate it would make such a large hole in it that it would be possible to say that a major success had been scored in the first stage of denationalisation.

While there have been many signs of discussions in the City in preparation for offers of steel stocks, nothing can be started until the Agency is constituted and until it has accepted a bid for one or other of the steel securities that it holds. It is enjoined to secure "without disregard to other relevant matters, that the consideration obtained from the disposal of assets is financially adequate." It could, that is, accept less than was paid in compensation for the shares (based on their prices in October, 1948) or it could demand more. In some cases—Dorman Long and Stewarts and Lloyds are important examples—there has been a major reconstruction of capital since the Corporation acquired their shares; there may even be a pointer to the leaders in the steel queue in the fact that these two concerns now have a straight ordinary capital, with no loan or preference capital. "Private ownership" of steel must imply, first and foremost, private ownership of steel equities, and these two companies have no other classes of capital at present in issue. The Agency will have power to reorganise the capital of any company that it holds, and to amalgamate one company with another; it can also create new companies to which the assets of companies held by the Agency can be sold or leased. From this, it is clear that the Agency is being given most flexible powers, as is wise. Moreover, the Finance Bill contains provisions whereby any distribution or any capitalisation of a distributable sum in the form of redeemable preference shares may be disregarded for profits tax purposes, if the Treasury so signifies; this again may be an important advantage.

The ground once cleared of technical undergrowth, the main tasks of disposal become plainly visible. First, bargains must be struck between the Agency and the issuing houses on the prices to be paid for particular

undertakings. Secondly, if as many as half a dozen major offers are to be made before the end of this year, institutional investors must be attracted or cajoled into playing a big part in subscribing for them. There can be little hope, given the present paucity of personal savings, that individual investors will return to the industry on any major scale, though many will do so as their means permit.

It is probable, moreover, that the total stake of the institutions in steel securities (in normal times, and not when they were using them as a back door into the gilt-edged market in 1949) must have been appreciably less than the amounts that they are likely to be offered later this year. They will accordingly have to take careful stock of the economic prospects of the industry over the next few years, as well as of the adequacy of the current yields on the stocks that are offered. A certain amount of suasion and some emphasis upon co-operative purpose may be admissible in an operation of this nature and magnitude ; but, in the end, the tests should be economic—what the investor will pay of his own volition for a stake in a steel company. This may be affected by opposing pressures from outside—to secure the success or the jeopardising of the operation—but ultimately it will be market conditions in the steel industry and on the Stock Exchange that will determine the matter. Provided that the Agency keeps firmly in mind the concept of a fair long-term price in its negotiations for sale, and that the investor is neither excited nor bullied into miscalculation, the operations should proceed steadily. But if mistakes are made, if too much is expected of the issuing houses or of institutional investors, the result might be a freezing of the issue market that would take months to thaw.

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One can illustrate the problems that may be involved from the particular case of Dorman Long—presumably one of the earliest of candidates. The compensation to this company was of the order of £12 million, the ordinary shares (then receiving 8 per cent) being paid out at 33s. 1d. The capital now consists of just over 7½ million of £1 ordinary shares, on which the earnings for the year to September last were nearly £2¼ million after tax. What are these shares worth ? The question is impossible to answer without taking account of the prospective cost of the next stage of development at Dorman Long. The company has found £14 million out of revenue in the last five years to finance the earlier stages of expansion ; now it has in prospect a series of major schemes costing perhaps £36 million in the next five years, of which a half might suitably be found from revenue. A burden of this order may not be beyond the company, particularly with the advantages of the initial allowances restored. And it should be able to count on support from the capital market to the extent of £3½ million a year during the period.

But much depends, in both respects, on the price at which the ordinary shares are marketed. The Agency would come out square if it sold them for 32s. each ; if that be taken as an assumed basic price (ignoring for the purpose of this argument the revenue ploughed back into improvement and expansion of recent years) some interesting calculations follow. First, an 8 per cent dividend (the former rate) would provide a yield of only 5 per cent—which no one would regard as adequate, under present conditions, on a steel share. Secondly, to provide a dividend yield of 6½ per cent the prospective dividend would have to be 10½ per cent at an issue price of 32s. Since the price might conceivably be somewhat higher, in the event, the required dividend would itself be higher, too. There is no lack of earnings to cover a dividend of this order, but every increase in the issue price and every increase in the prospective dividend that would be required could only mean that the task of financing a costly development programme would be more difficult, whether the money came from surplus revenue or from new issues. If, as seems probable, the emphasis in the early operations is upon the marketing of ordinary shares, there should be opportunities at a later stage for using loan capital or redeemable preference shares, at a lower cost, to give a more balanced capital structure—though the industry has a long enough memory to guard against excessive resort to prior charge capital.

Dorman Long is not the only case where it is possible to trace a sharp antithesis between the meanness of the price paid by a single buyer four years ago and the desirability of restraint on the part of the single seller if investors are to be attracted back to the industry and encouraged to take up the burden of financing the next important stage in its development (which may well cost £30 million a year in the next few years). There is, indeed, a sound economic case for many of these schemes, since they represent the logical completion of schemes that offer the prospect of increasing returns upon a relatively small further capital expenditure. For example, the work that has been done at Shotton by John Summers has already cost £17 million; the duplication of the large new blast furnace and coke ovens at a cost of £5 million will bring steel ingot production to a million tons a year and thus balance the capacity of the strip mill.

But the dilemma remains. The Agency, if it is too grasping, will make it difficult for the industry to proceed with its plans ; that would be a disaster for an industry newly restored to private hands. Yet it will be selling, in the first instance, the cream of the industry with good assets and earnings, and with capital costs per ton of ingot capacity of a distinctly modest size. The leaders of the industry will have to abandon any old ideas about 8 per cent dividends, which led them into trouble in 1948 and are plainly not capable of attracting investors today. Yet they have every good reason for keeping dividends within reasonable restraint. Here is an intriguing balance of forces, which could easily be tipped by misjudgment from several quarters. The test, to repeat, ought to be the test of the market. And the market is not likely to take an excited view of steel shares as " growth " stocks. It is much more likely to recognise that, on the threshold of a period of growing international competition, the industry's first duty is to complete its modernisation, to secure its efficiency, and to have something in hand to meet the possibility of harder times. It will be an industry, moreover, that is starting again under a new form of public control. How effective and wise will the Iron and Steel Board be in determining price policy ? How long can the various devices of cost equalisation be allowed to survive ? Are there good arguments for minimum prices if demand should fall ? Can the deeply rooted reliance on " cost-plus " be changed to a system that gives encouragement to efficiency and does not strangle demand still further when output is falling and costs per unit are rising ?

It is, in many respects, a new steel industry that will be on offer during the coming months. Many of the old yardsticks will no longer serve the investor to measure its prospects. It will be supervised under an Act that demands " the efficient, economic and adequate supply under competitive conditions of iron and steel products "—words of general rather than precise meaning. In the background lies the threat—for what it is worth, and perhaps not very much—of re-nationalisation. In all these circumstances, it may be possible to persuade the large investors into making a dutiful response to offers of steel shares, and to give them a reasonable promise of a satisfactory return. But it is difficult to conceive of any extravagant offers or of any wildly excited response.

Accounting for Coal

LAST year the National Coal Board " budgeted for a small deficit " and made rather a large one. The increase in home coal prices that it was allowed to make on December 31, 1951, was designed to bring in rather less than its expected increase in costs. In fact, costs rose more than the estimate, so that by the autumn—despite the expansion of exports at premium prices—the Board found its collieries as a whole in the red, for the first time since 1947. Moreover, it deliberately accepted a loss on opencast working (as a later note shows), though its profits from ancillary activities went up. Over the year, its net operating profits were £8,188,194 less than the £14,500,000 required by the Minister of Fuel and Power to cover interest on capital and interim income for former colliery owners. This deficit of £8.2 million compares with one of £1.8 million in 1951 ; and it contrasts with the three preceding years of profit-earning. Now, on the record of the six years since nationalisation, losses have exceeded profits by some £14 million. Over an undefined period of years, the board has an obligation at least to make good this cumulative deficit. It is showing no haste to do so ; its latest increase in coal prices is officially expected to do no more than enable it to break even in 1953.

The board's profit and loss figures are produced with great expertise and in immense detail, but each year it becomes more difficult to decide how seriously to take them. They contain, for example, far more detail than the annual accounts of the four large private enterprises examined on another page ; yet their real significance is far less easy to determine. Profit or loss is a meaningful index of performance in companies whose central principle must be to maximise the return on investment. But that is not a central principle in the nationalised coal industry.

What does last year's deficit in the coal industry signify ? It arose, leaving out ancillary activities, from an average (and insufficient) profit over the year of 6d. a ton on all coal produced. This in its turn arose from the fact that three NCB divisions—East Midlands, North Eastern and West Midlands—made profits of £22.8 million, whilst the other six divisions made losses totalling £17.1 million. It can be ascertained, further, that 375 collieries producing 121 million tons of coal made £45 million profit, whilst 516 collieries producing 91 million tons showed losses of £39 million. More than a hundred pits, indeed, lost more than £1 on each ton of coal they produced.

All of these individual results were governed by the fact that the board interpreted its duty as, broadly, to make neither profit nor loss over an undefined period " on an average of good and bad years." This by definition means producing rather more than half the coal at a profit and nearly half at a loss ; in practice, its odd results include the sale of all anthracite, the board's most desirable coal, at a loss. Upon such uncommercial principles, profit or loss may have some meaning at the centre of the industry, albeit a most esoteric one (should one judge the board by some such measure as the closeness with which its surplus or deficit approaches zero, so that last year's deficit of £8.2 million might denote better guessing than the surplus of £9.5 million in 1949 ?). But on these principles profit or loss can have no real meaning at the division or the pit, where the coal is got ; as Sir Hubert Houldsworth said this week about divisional finances, " I am far more interested in costs than in profits."

Costs, and physical indices of performance such as productivity, do indeed retain far more significance in such circumstances than profitability—for the present—and the year's figures show that the Board's performance continues to be disappointing. But national

averages of both are susceptible to the powerfully solvent advanced analysis that Sir Hubert himself initiated early this year. As the report says:

> Small year to year differences in the average productivity of the industry are difficult to analyse precisely, because they are made up of a great variety of changes . . . at individual pits. Even when the same change occurs at many pits, there may be different reasons for it in each case. . . .

Of last year's slackening in productivity as manpower rose, for example, the board can only remark that the divisions getting most new recruits and extra miners were, on the whole, those where productivity declined most. Costs, likewise, need elaborate interpretation.

Attention to costs alone is, of course, a rather lopsided form of financial control in an industry; it would normally be tempered by consideration of demand. But during the postwar period the Coal Board has been able to assume that it could sell far more coal than it could produce (at a price under *de facto* if not formal Government control). Last year's check to home demand for coal may have been simply an interruption in the upward trend. But it did present the Board with some reminder of the kind of problems it may have to reckon with as capacity overtakes demand. Today, in broad outline, the recipes may be simple if not easy: at the pit "Push up output—but try to keep costs down"; and at Hobart House "Charge a price that should about cover outgoings—provided you can get it past the Cabinet." Fairly soon, these recipes may not be enough.

When the question of demand—at a price—returns as a major factor, it is not easy to see how the board is going to ensure that coal is produced most economically—in the right amounts, of the right types, at the right pits—if its policy ensures that nearly half of all coal must be produced at a loss. More commercial pricing principles might present their own problems for the industry as a whole; but they would offer better assessments of real demand and simpler principles to enable each pit to play its part in fulfilling that demand. Given its present price policy, the board may have to adopt new methods to exercise adequate financial scrutiny and control—attempting to refine or adjust ordinary criteria of profit or loss to its self-imposed rules. But the requirements of effective commercial management for the Coal Board, as well as its duties of accountability, will eventually demand more effective methods of scoring—or perhaps a change in the rules.

COAL SINCE NATIONALISATION

	1947	1948	1949	1950	1951	1952
COAL OUTPUT (million tons)						
Deep-mined	187·2	197·6	202·7	204·1	211·9	214·3
Opencast	10·2	11·7	12·4	12·2	11·0	12·2
Total	197·4	209·4	215·1	216·3	222·9	226·4
MANPOWER (thousands)						
Face workers*	288	293	296	288	287	294
Other workers*	423	431	423	409	411	422
All workers*	711	724	720	697	699	716
Recruitment	94	74	52	55	73	77
Wastage	68	66	69	76	63	55
Net change	+ 26	+ 8	— 16	— 21	+ 9	+ 23
ATTENDANCE (all workers)						
Shifts worked per man per week	4·69	4·71	4·67	4·72	4·81	4·79
per year†	244	245	243	245	250	249
PRODUCTIVITY (tons per manshift)						
Face workers	2·86	2·92	3·02	3·11	3·17	3·15
All workers	1·07	1·11	1·16	1·19	1·21	1·19
EARNINGS (per manshift)‡	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Face workers	36 10	41 1	43 1	44 10	48 6	54 0
All workers	28 10	33 1	34 4	35 6	38 10	43 2
COLLIERY FINANCIAL RESULTS (per ton of saleable coal)						
Costs	41 3	45 7	45 0	45 5	49 2	56 9
Proceeds	40 3	47 3	47 11	47 10	51 2	57 3
Profit (+) or loss (—)§	—1 0	+1 8	+2 11	+2 5	+2 0	+ 6

* Yearly average. † 52 weeks. ‡ including allowances in kind. § operating profit or loss, before paying interest.

PROFITS AND LOSSES
(£ million)

	1947	1948	1949	1950	1951	1952
1 Collieries	9·2	16·2	29·4	24·2	21·2	5·7
2 Opencast coal working*	...	...	...	...	...	1·0
3 Ancillaries†	3·0	1·3	1·7	2·3	2·8	4·0
4 Other income *less* interest payable	0·1	0·6	0·1	0·2	0·2	0·4
5 Compensation for loss of office	0·4	0·8	0·8	0·7	...	1·0
6 Additional provisions for workmen's compensation	...	...	4·0	...	1·6	1·8
7 *Initial grant to mineworkers' pension scheme*	...	...	...	...	2·0	...
8 Losses on imported coal	1·7	...	...	0·3	5·5	1·2
9 *Profits tax*	...	...	3·5	2·5	2·0	...
	8·2	17·3	22·7	22·8	12·7	6·3
10 Interest and interim income payable to the Minister of Fuel and Power	15·1	15·6	13·2	11·5	14·5	14·5
11 *Surplus or Deficiency*	23·3	1·7	9·5	8·3	1·8	8·2

* The Board took over the opencast working of coal on April 1, 1952. † Profits of ancillaries in 1947 included £1·2 million from railway wagons which vested in the Transport Commission on January 1, 1948.

The Giants Report

THE summer monsoon of company reports has broken earlier than usual this year. In the last ten days four of the biggest joint stock companies in Europe—Dunlop Rubber and Unilever among the great international trading concerns, and Anglo-Iranian and Royal Dutch-Shell among the oil companies—have issued their preliminary reports. For the first time since the war those reports are issued against the background of moderate and worldwide disinflation. Last year companies trading overseas were exposed far more to the rigours of the change in the economic climate than companies trading mainly in Britain; and it comes as no surprise that Dunlop Rubber and Unilever have reported that their trading profits in the full calendar year fell by more than the 7 per cent that the national income statisticians estimated as the average fall for British companies on a whole. It is also no surprise that the two oil companies have done so well, and that with an eye to the advantages as well as to the disadvantages of the curb on inflation—they have both increased their dividends.

Dunlop Rubber, seventy per cent of whose profits in 1951 came from overseas activities, has reported a fall in trading profits of £4.8 million to £13.1 million, or by nearly 27 per cent. This result does not necessarily imply a severe loss in sales in foreign markets, although import restrictions in Commonwealth countries undoubtedly hit the company hard. At home, too, the group had to follow in the wake of the motor industry through the rough waters in trade, but the decline in its profits probably owes far more to the fall in material prices. Average prices for raw rubber fell by 44 per cent in 1952 after rising by 53 per cent in 1951, and this must have caused a swing-round from profits to losses on stocks. Similar influences—a fall in prices and a drop in sales when consumers were liquidating stocks built up during the inflation—may be traced in the fall in profits earned by the Unilever diarchy by £13.1 million (or 19 per cent) to £55.7 million.

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The story of profits trends is given a different twist in the accounts of the two oil companies. The fall in oil prices has been sedate compared with that of other commodity prices in the last eighteen months; the loss of supplies from Abadan and, perhaps, the tighter organisation of the international oil trade has seen to that. The fall in Anglo-Iranian's profits (from £75.9 million to £61.3 million) is not in contradiction to this more favourable trend, for this decline is probably merely a closing reflection of a complete year's trading without the Abadan refinery. The results announced by the Royal Dutch-Shell group put the experience of the oil companies last year in a truer economic perspective. Last year the volume of the group's sales rose by 11 per cent, while the value of these sales, together with other items of income received by the group, rose by £192 million to £1,616 million. This is a fantastic figure for a single operating group; it is, for example, three times the gross national income of New Zealand, and bigger than the gross national incomes of all but a handful of major world powers. The greater part of the increase in Shell's gross income last year was absorbed by higher operating costs and bigger charges for depreciation and taxation, but even so the net income of the group rose by £5 million to £125 million.

The fact that profits earned in 1952 were not whirled into fantastic shapes, as smoke whisks from an inflationary bonfire, meant that the companies could draw up their accounts in a rather less nervous manner than in 1951. The curb to inflation has had a marked effect on the amounts that have had to be provided for replacement of assets and for taxation, and also on dividend policy. Both Dunlop and Unilever have set aside slightly larger sums from taxed profits for the replacement of worn-out assets (in addition to the inadequate depreciation allowances based on historical costs); but, in so doing, they are making good a deficiency created in the past rather than a deficiency that is growing rapidly now. The directors of Royal Dutch-Shell, on the other hand, have felt strong enough to refrain from making any separate appropriations from taxed profits for additional depreciation, future exploration and other specific purposes; they show the total of their ploughed-back profits, amounting to about £103 million, as available for all purposes. Moreover, with a levelling off in prices, manufacturers no longer feel the need to set aside specific sums for the replacement of stocks, as they did in 1951 when capital gains made on stocks sold in a rising market were taxed as if they were true profits. In fact, the directors of Unilever have written back £1,868,000 from stock reserves, although only last year they transferred £3 million to these reserves.

Once adequate provision has been made for the cost of replacing worn-out equipment, net profits can be regarded as a trustworthy guide to the earning capacity of a business. Shareholders need not, therefore, be disheartened by a fall in their companies' net income in 1952; and, in any case, since the charge for taxation has fallen in line with accounting profits, these declines in net income are not alarmingly big. Of the four giants only Dunlop Rubber has reported a heavy fall in net earnings available for distribution; and even here, thanks to a reduction in the taxation provision (from £8.9 million to £5.3 million) this fall has been limited to £1.1 million compared with a decline in gross profits of £3.8 million. Anglo-Iranian's net earnings have fallen by only £450,000 as both the charges for depreciation and taxation have been reduced; while the profits available for distribution by the Unilever siblings have actually risen by £2.2 million, since a reduction in the

bill for taxation (from £33 million to £22.2 million) has been accompanied by the writing back of £1,868,000 from stock reserves and the incidence of exceptional credits of £4,918,000, compared with £2,438,000 in 1951. The Royal Dutch-Shell group has had to provide £38 million more for taxation than in 1951, but even so its net profits are £5 million higher. Once again, it is impossible not to lose a sense of wonder at the size of this group; the Group's total tax bill of £402 million in 1952 was two and a half times the total tax revenue of the British Government in 1913.

The curb to inflation has also made—or ought to have made—it much easier for directors to decide upon their dividend policies. For one thing, directors now have the chance of making a straight choice between paying bigger dividends or ploughing back profits to finance an expansion of their business, instead of having to make invidious guesses about how tight a rein they ought to keep on dividends so as to preserve the real substance of their businesses intact. For another, now that profitability has again become the test of efficiency and economic usefulness, there is no longer any sound case for a government-sponsored policy of artificial dividend restraint. It may have been the prospect of stability in prices—and in the economy as a whole—that has encouraged the directors of Dunlop Rubber to maintain the ordinary dividend at 17½ per cent, in spite of the fall in net profits; this was rather more than a nervous stock market had expected, and it was greeted by a rise in the price of the £1 ordinary shares from 45s. 6d. to 46s. 3d. (offering a yield of 7.55 per cent). Unilever, Ltd., and Unilever NV have also maintained their ordinary dividends, at 13½ per cent and 12 per cent respectively; there had been some hopes of an increased payment here—based perhaps on a misreading of the prospect for the group's profits—and the £1 ordinary shares of Unilever, Ltd., were immediately marked down 1s. 1½d. to 47s. 9d., to offer a yield of 5.65 per cent.

It was left to the oil companies to demonstrate fully that equity payments had regained their rightful place as rewards for risk taking. Anglo-Iranian led the way by raising the ordinary dividend from 30 to 35 per cent; an increase of this order had been anticipated in the market and after an initial flurry the £1 ordinary shares settled down at 5⅞, to give a yield of 5.95 per cent. Just over half of this dividend will be paid to the company's biggest shareholder—the British Government. Royal-Dutch is to pay a 16 per cent cash dividend for 1952, compared with a 13 per cent cash dividend and a 2 per cent stock dividend in 1951; and the equity distribution of "Shell" Transport and Trading has also been effectively increased by the repetition of the tax-free dividend rate of 15 per cent—payable this time on an ordinary capital of £54,514,696, as increased by last year's free issue of one share for every four held. This dividend came up to the most optimistic forecasts in the market and immediately after the announcement Shell's £1 registered ordinary stock units rose ⅛ of a point to 4¼, offering a yield of 6.4 per cent.

In general, therefore, the giants' reports have come out in very much the shape that the market had expected. The most obvious lesson from these four reports is that competitive power and the forces of demand are now in control. It is no longer possible, as it was in the age of inflation, to pick a probable winner in the wide field of industrial equities by sticking a pin in the Official List. Nevertheless, if the estimates about production that the Chancellor made in his budget prove correct, British company profits in 1953 should at least make good the 7 per cent decline that they showed in 1952. The logic of the remarkably unselective weakness of industrial equities in the last few weeks seems to be that the markets do not believe the Chancellor's estimates. They may well be right, but if—as is possible—the immediate trend of profits and dividend statements in due course turns upwards, some investors may begin to question their reasons.

CONSOLIDATED EARNINGS

(£'000)

Years to December 31,	Unilever 1951	Unilever 1952	Dunlop Rubber 1951	Dunlop Rubber 1952	Years to December 31,	Anglo-Iranian 1951	Anglo-Iranian 1952	"Shell" Transport and Trading 1951	"Shell" Transport and Trading 1952
Trading profit	68,801	55,746	17,869	13,060	Trading profit	75,900	61,261	NS	NS
Total income*	71,239	62,532†	18,240	13,810	Depreciation	23,683	14,199	NS	NS
Depreciation	9,753	11,542	3,970	4,179	Profit, before tax	52,217	47,062	14,386	16,313
Replacement reserves	5,115	5,283	470	479	Taxation	27,374	22,666	6,987	7,733
Stock reserves	3,000	...	...	...					
Taxation	32,984	22,180	8,916	5,276	*Net profit available for distribution*	*24,233*	*25,166*	*7,399*	*8,580*
Net profits available for distribution	*18,838*	*21,056*	*4,607*	*3,498*	Ordinary dividends	6,041	7,048	6,542	8,177
					Ordinary dividends (per cent)	30	35	15‡	15‡
Ordinary dividends (per cent)	Ltd: 13½ NV: 12	Ltd: 13½ NV: 12	17½	17½	General reserve	16,000	16,000	500	...
					Added to carry forward	121	47	*Dr 65*	*Dr 17*
Current Share prices	47s. 9d.		46s. 3d.		Current Share prices	5⅞		82s. 6d.	
Current yield (per cent)	5·65		7·55		Current yield (per cent)	5·95		6·40	

* Includes exceptional credits. † Including £1,868,000 written back from stock reserves. ‡ Tax free.

Business Notes

Freer Exchange Dealings

ALTHOUGH no official announcement had been made at the time that this issue of *The Economist* went to press, it is virtually certain that the foreign exchange markets in six European countries—the United Kingdom, France, Belgium, the Netherlands, Switzerland and Western Germany—will take another step towards freedom at the beginning of next week. By a concerted move between the exchange control authorities in these countries it will become possible for authorised banks within this group to arbitrage between the six currencies concerned. At present the freedom with which banks in these countries can deal in their respective currencies is, with a few minor exceptions, restricted to bilateral deals. For example, British banks can deal in French francs between themselves and also with Paris, but they are not allowed to negotiate French francs in Brussels or Amsterdam. From Monday next it is expected that they will be allowed to negotiate any of these five foreign currencies in any of the five capitals—and French, Belgian, Dutch, Swiss and German banks will be accorded the same rights. This does not imply any relaxation of exchange control arrangements, nor does it mean that there will be any (at any rate any immediate) widening of the margins within which dealings will be allowed. So far as the United Kingdom is concerned, the provisions for the compulsory surrender of "scheduled currencies" will continue in force, while the Bank of England will remain prepared to deal at the upper and lower limits set for each of these currencies.

The new freedom will mean that the cross rates between the six currencies should henceforth be the same in all six markets. In anticipation of the move, therefore, the divergences of cross rates of exchange that grew up under the regime of bilateral dealings have tended to disappear in the last few days. Among the necessary adjustments in London there has been an appreciable marking up of the Belgian franc and a corresponding decline of the Swiss franc. The Netherlands guilder has also been appreciating against sterling. The one currency in which no anticipatory adjustment has been perceptible is the French franc, which remains grounded to its lower limit in terms of well-nigh every European currency and which presumably will continue in this sorry position when the freer foreign exchange facilities become available next Monday.

Effects on Sterling

The new move will have two interesting byproducts—indeed they can probably better be described as two main objectives. In the first place, the markets will take over a considerable part of the work of clearing intra-European payments that is now done once a month by the European Payments Union. So long as the private exchange markets were limited to bilateral dealings, the amounts brought into the EPU clearings tended to represent virtually the sum total of transactions between each set of partners in the Union. Now that arbitrage is to be allowed between the most important EPU countries, foreign exchange dealers will find it possible to marry balances arising out of intra-European trade—no doubt at a small profit to themselves but also to the considerable convenience of EPU. Under the new ordinance, the clearing of intra-European payments will tend to take place hour by hour and day by day, leaving the monthly clearings of EPU to deal only with the ultimate balances left uncleared by the activities on the market.

The second point is that the new exercise will do much to prepare the technical apparatus in various foreign exchange markets for the day when some sort of convertibility might be re-established and when exchange rates might have to be allowed to fluctuate by more than the present margin (of less than 1 per cent) on either side of parity. It is probably partly as a reflection of this—as well as a reflection of the immediate technical consequences of the move—that sterling has been weakening against the dollar in the last few weeks; by Wednesday's close, spot sterling, which so recently was bumping against the top permissible rate of $2.82, stood at $2.81⅛ in the London market. All this should not be taken to mean that any freeing of the rate, or any notable move towards convertibility or liberalisation of trade, is imminent. But inevitably it must be read against the background of the impressive series of broad financial discussions with European countries that are now in progress.

Talks with Europe

ALTHOUGH Government utterances in the past week, which may not be unconnected with the informal visit of Mr Lewis Douglas to Britain, have made it even clearer than before that the American response to the Commonwealth's "plan" for sterling convertibility was an extremely dusty one, it looks as if some sort of "second-best" plan may now be in course of hatching. Presumably it was not only trout that Mr Douglas came here to fish. The most probable course of British policy now would seem to be to work towards some system of freer payments and trade within Europe alone—while still holding out to the Americans hard and concrete proposals, in case they should ever pluck up the courage and sound sense to make a wider freeing of international payments possible.

In line with this probable course of policy, discussions have been taking place in London this week with a German economic delegation, led by the Vice-Chancellor, Herr Bluecher, and the Minister for Economic Affairs, Dr Erhard; the ministerial spokesmen on the British side have been the Chancellor of the Exchequer and the President of the Board of Trade, but they have also been attended by a bevy of experts. Although these discussions have dealt with certain technical payments arrangements, and particularly with the imminent scheme for freer dealings in foreign exchanges, they have also touched on broader matters of commercial and financial policy. They are quite plainly part of an ambitious series of such discussions. The first of the series was that with a French delegation in Paris on April 24th and 25th. Hard on the heels of this, a delegation from the Uniscan countries met in London on April 27th and 28th. This week's talks with Germany were the third in the series and they were followed almost immediately by discussions with a Belgian delegation at the end of this week. The Commonwealth Prime Ministers will bring some economic experts along with them when they attend the Coronation; and soon after the Coronation the Government wants to have discussions with Switzerland, Italy and the Netherlands.

It might be unwise to lay too much emphasis on this very closely-packed timetable, for any change in the system of international payments surely cannot go very far in view of present American uncertainties and immobility. But it would be even more unwise to ignore the fact that, with a quiet and rather mysterious flurry of determination and good intent, these negotiations are proceeding.

ICFC and the Capital Market

THE experience of the Industrial and Commercial Finance Corporation is always an interesting mirror to the experience of the capital market as a whole, and its accounts for the year to March 31st last deserve specially close analysis. On the face of it, the corporation had what—in the cautious words of its chairman, Lord Piercy—"may appear in the near future as a bumper year." Its net profit rose from £388,032 to £417,931, and it paid its first dividend (of 4 per cent) to the clearing and Scottish banks that are its shareholders. Yet its loans and advances rose by only £2,597,000 (compared with rises of between £3 million and £4.6 million in each previous year) and its contractual (but not yet utilised) commitments outstanding fell from £2.9 million to £1,211,000; last year, there was a clear reduction both in the overall demand for loanable funds and also—at any rate at the height of the monetary squeeze—in the corporation's willingness to meet it. At the end of the financial year its loans and advances outstanding amounted to £26.3 million; it had financed most of these by calling up £7.5 million of its authorised share capital of £15 million and £17.7 million of its authorised loan capital of £45 million.

Of far more interest than these bare figures, however, is Lord Piercy's commentary that goes with them. The ICFC draws most of its resources by borrowing from its shareholder banks, and it lends on secured or unsecured loans, on preference or ordinary shares, to small businesses at rates that apparently carry a remarkably close (though accidental) correlation to the yields shown by the Actuaries' Investment Index. Last year's surge in bank advances rates and other short-term rates made the corporation's "profit margin on new business somewhat exiguous"; that, after all, is one of the things that high short-term rates in a time of economic crisis are meant to do. In addition, apparently rather to the corporation's chagrin, the banks raised their rates on "existing loan capital as well as on new amounts"; since there is no similar escalator clause in the corporation's own existing loan contracts, this cut sharply into the corporation's "fixed, and not extravagant, margins." The fact that the cut in margins was absorbed, and that the corporation's net profits actually rose, is a tribute to the soundness of the small ventures in which it has invested in recent years.

This cut in margins must clearly have been a very potent factor in causing the corporation to tighten its lending policy last year. At the time when the banks were looking most anxiously to their liquidity ratios, there was apparently an upsurge in the business that they wished to pass on to the corporation. Now, however, there has been a reduction in such passed-on business, and the corporation itself is apparently ready to look more favourably on some applications that it would have turned down, on grounds of the "national interest," twelve months ago. It is particularly anxious to make sound loans in the £5,000 to £20,000 range; last year 75 per cent of its loans by amount (and 34 per cent by number) were over £50,000. The impression emerges forcibly from these facts and figures that the general economic climate, rather than monetary policy, may now be the real barrier to increased investment—in very sharp contrast to the position a year ago. And it is worth recording too that, while in "the first week or ten days" after the budget—and particularly after the partial restoration of initial allowances—the corporation appeared to experience an increase in sound applications for loans, there have been signs since then that the initial increase may not have much follow-through behind it.

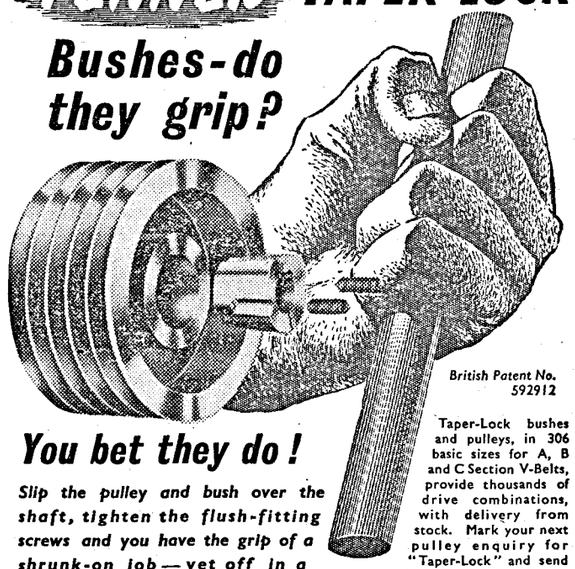
Cold Feet on Options

OPTION dealings on the London Stock Exchange, which have been suspended since the outbreak of war in September, 1939, are not to be resumed. A sub-committee of the Council of the Stock Exchange, which has been debating this matter for some time and which has also looked into the question of resuming unrestricted contangoes, has come out in favour of the present restriction. Presumably the chairman of the Council, Mr J. B. Braithwaite, will explain its reasons at the annual meeting of the Stock Exchange next Tuesday. It is to be hoped that he will be able to adduce some better reasons than the very poor ones that are evident on the surface—namely the desire of some jobbers for a quiet life, the lack of interest among the majority of ordinary investment brokers (who have never dealt in options anyway), and, above all, the Council's vague fear of public criticism of "speculation" in Throgmorton Street.

Very briefly, the prewar mechanics of option dealing were that investors were allowed to purchase—for a con-

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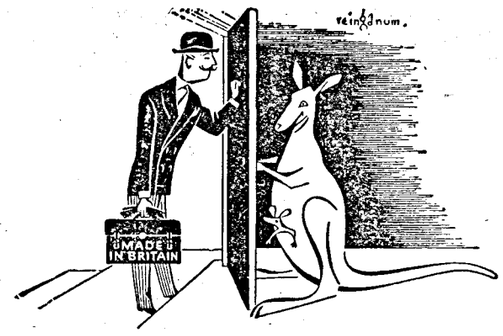
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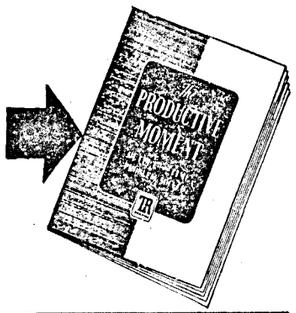
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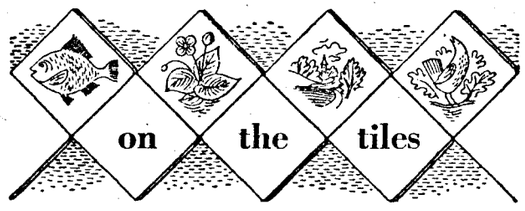
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sideration—an optional right to buy or sell a specific security within a given period (usually of three months) at a fixed "striking price." This system provided valuable hedging facilities for investors against wide swings in security prices, and by so doing, it opened the door to more speculation. But this decision reinforces the impression that the Council has not been able to make a proper start in explaining to the general public the Stock Exchange's essential function in the national economy, mainly because it has no proper appreciation itself of what that function is. Far too many recent publicity statements from Throgmorton Street have muttered mildly that the Stock Exchange has a right to exist because it provides a mechanism through which widows, charities and others can invest their savings; they have failed to point out that there is a need for the Stock Exchange to exist because it is the best mechanism yet discovered that can help to divert savings towards investment in the most profitable (and therefore usually the most productive) development projects. Any such search for profitable investment outlets requires speculation, and the country needs much more of it.

Electronics for Nato

A DETERMINED effort has been made during the past two weeks to interest Nato countries in types of British military equipment other than aircraft, and the War Office and the Ministry of Supply have between them been demonstrating tanks, specialised vehicles and other weapons to missions from 16 countries. The sales drive culminated this week in a three-day exhibition of electronic equipment at the Royal Aircraft Establishment at Farnborough. If, as seems likely, the United States government decides to allocate a sum of about $100 million for the purchase of defence equipment for Nato from Britain during the coming year (in addition to orders already placed), electronic equipment and fighting vehicles are likely to figure prominently, since North America is the only other source of supply. The equipment on show is just going into service with the British forces, and consists of what this country can put on the counter. It did not therefore necessarily represent the most advanced technical developments. There were, for example, neither guided missiles nor guided bombs.

The electronics exhibition brought home dramatically the almost total dependence of a modern fighting force on radio aids of one kind or another. The operating efficiency of both tanks and aircraft must now rely on electronic devices not only for communication, but also for accurate aiming and firing. The conditions under which such equipment must work, with aerials buried under the surface skin of a high-speed aircraft to eliminate unnecessary drag, and with size and weight cut down to a minimum, has presented a severe challenge to the electronics industry. The increased height and speed of the aircraft has called for fresh developments in radar and for improvements in methods of automatically linking up to the fire-control radar of anti-aircraft guns. Metropolitan-Vickers and British Thomson-Houston are now providing the medium-range and long-range radar respectively; early this week British Thomson-Houston received a $4,250,000 order for the delivery of long-range radar and its ancillary equipment to Nato as part, presumably, of the $100 million orders contemplated.

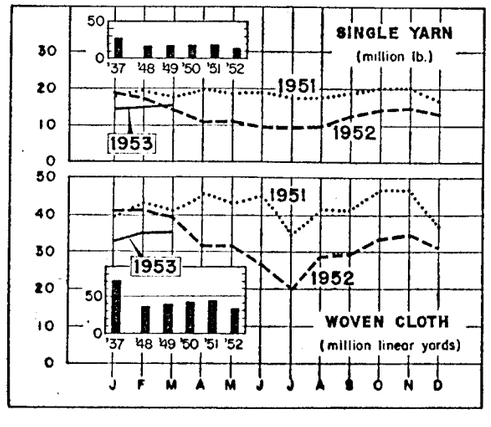
As the use of radio aids becomes standard throughout all branches of the Services down to the infantry, the problem of maintaining this equipment promises to become the major stores problem of a modern army. This was demonstrated at the recent air exercises. The industry is meeting this difficulty where it can by assembling the equipment in standardised packaged units, so that a faulty section can simply be unplugged and sent back to base for overhaul. But this process has not gone very far, and there is still a real risk of vital equipment becoming immobilised while engineers probe through what resembles a mass of tangled knitting in search of a faulty condenser. British-built electronic equipment fell somewhat behind after the war, when little attempt was made to keep pace with developments in other weapons, and especially in aircraft. But in putting on this week's show the British industry can feel reasonably confident that most of this lost ground has been made up, and that its military products should find a ready market abroad.

Verdict on the Austin Strike

THE report published on Tuesday of the Ministry of Labour's Court of Inquiry on the serious strike at the Austin Motor Company's Birmingham factory that began on February 17th and ended only last week puts the blame for the long duration of the strike squarely on the shoulders of both parties, the company and the National Union of Vehicle Builders. It holds that both "adopted a regrettably inflexible attitude and neglected reasonable possibilities of compromise." But tracing the history of the dispute since last August, when Austin began to dismiss a total of 800 men as redundant, the court found that the company had honoured its undertaking to discuss the matter with the unions concerned, and to re-engage former employees where

OUTPUT OF THE BRITISH COTTON INDUSTRY

WEEKLY AVERAGES



possible when future vacancies occurred. Mr McHugh, one of the many shop stewards among the 800 men dismissed, had not, the court decided, been victimised. This is the central issue—the union made Mr McHugh's dismissal and the company's refusal to re-engage him the main issue of the strike. The court found, moreover, that the union's local organiser had asked for preferential treatment for Mr McHugh because he was a shop steward, "although such preferential treatment was not in accordance with the national policy of the NUVB."

The union agreed in advance to accept the findings of this court, so it will presumably no longer press for the re-engagement of Mr McHugh. The company made it clear during the course of the inquiry that it would under no condition consider taking him back, whatever the court recommended; but the actual findings do not make this attitude any barrier to the peaceful resumption of work. The fact remains that some orders have been curtailed; the company will probably want 300 fewer vehicle builders now than it was employing when the strike started in February. Production was then running at more than 3,000 vehicles a week, and during the greater part of the strike came almost to a standstill. The fact that the company was prepared to face so big a loss of output at a time when car sales are approaching their peak indicated that the management considered the strike to be just as important a test case as the union. The British Motor Corporation, of which Austin forms a part, has not found the re-organisation and co-ordination of operations in the various factories that it controls easy going. The mistake of adopting an excessively rigid attitude when the unions and the TUC were looking for ways to end the strike, for which the Austin management was criticised by the court, may have been due to a fear of making concessions that might in some way commit the corporation as a whole for the future.

Down with "Uplift"?

PURCHASE tax has proved a fertile breeding ground for fiscal anomalies—and for friction between traders who pay the tax and the Customs and Excise Department that collects it. One of these causes of friction, which is now likely to be modified as a result of the report made to the Government by the Grant Committee this week, is the notional concept of "uplift." Purchase tax is collected by the wholesaler from the retailer, and is assessed on the wholesale value of the article. But in the many cases where the retailer buys direct from the manufacturer, the tax authorities have added a certain margin to the manufacturers' selling price, in order to arrive at a token wholesale price on which to assess the amount of purchase tax. Traders have objected strongly to this practice on the grounds that a manufacturer selling direct to a retailer usually incurs some wholesaling costs himself, and that these costs are already included in his selling price. Twelve months ago a committee was set up under the chairmanship of Mr Frederick Grant, QC, to look into these complaints and see whether any improvements could be suggested.

The Grant committee has taken rather longer to publish its conclusions than Sir Maurice Hutton's committee (which was set up at the same time to examine the possibility of compensating retailers for losses incurred on tax-paid stocks when the rate of purchase tax is reduced), but its recommendations will be more popular with traders. The majority report suggests that "uplift" should not be applied when a manufacturer sells direct to a retailer, and so doubles his function of manufacturer with that of wholesaler. But it suggests that uplift should be added when individual retailers buy from manufacturers on specially favourable terms, usually because of the size of the order; the purpose of this addition should not be to include notional wholesaling charges, but to make certain that the goods are assessed for tax on the same basis as if they had been bought by a retailer without special trading advantages. Unless this is done, identical goods would be attracting different amounts of tax, according to the size and bargaining power of the retailer that bought them. In the case of goods subject to resale price maintenance, a total abolition of uplift would merely put the tax reduction into the big retailer's pocket. Nevertheless, two members of the committee dissented from this second recommendation and wanted to get rid of uplift altogether. They argued that the only satisfactory basis for assessing liability for tax and avoiding the confusions of a notional price was to use the actual invoice price to the retailer. They were prepared to admit that this would give a special tax advantage to the trader dealing in a limited range of standardised products, but not that it would necessarily put all small traders at a disadvantage. The Chancellor of the Exchequer has decided to wait to hear representations about these conflicting recommendations before coming to a decision.

Larger Trade Deficit

THE flow of imports into Britain continues to increase, although most of the stringent restrictions imposed at the end of 1951 and in the first half of 1952 are still in operation. The c.i.f. value of imports in April is provisionally estimated at £293.4 million; this is £32.0 million less than for April a year ago, but it is £21 million higher than the monthly average for the first quarter of 1953 and the highest figure for the past ten months. Exports in April, at £223.8 million, showed less buoyancy; they were only £5.3 million higher than the average for the first quarter, and still £5.4 million lower than for April, 1952. Fortunately, however, the lag seems to be wholly due to a decline in trade with soft currency areas; April exports to North America, at £29.8 million, were £5.7 million higher than the first quarter's average, and exports to Canada reached a new record of £16 million, contributing £4.7 million to this increase. Re-exports in April, at £9 million, were £1 million less than the average for the first quarter; and the month's excess of imports over total exports was therefore £69.6 million, or £15.7 million more than the average for the first three months of the year.

The daily rate of imports in April (again, reckoned c.i.f.) was £12.2 million, or £1.3 million higher than in March, while the daily rate of total exports was £9.3 million or only £700,000 higher than in March, despite the boom in trade with North America. After the harrowing experience of last year, analysts will be wary of trying to translate these monthly trade figures into balance of payments terms

(by striking out the insurance and it content in recorded import values and making allces for lags in payments and receipts). But if the rent monthly import excess of £41.5 million in the larter of 1952 was actually representative of approximaible balance at

UNITED KINGDOM TR
(MONTHLY AVERAGE OR CALENDONTH)
£ MILLION

	Imports cif	Exports fob	Re-ports fob	Excess of imports over total exports*
1952 4th quarter.....	263·9	213·1	9·4	41·5
1953 1st quarter.....	272·4	208·5	10·0	53·9
April	293·4	214·8	9·0	69·6

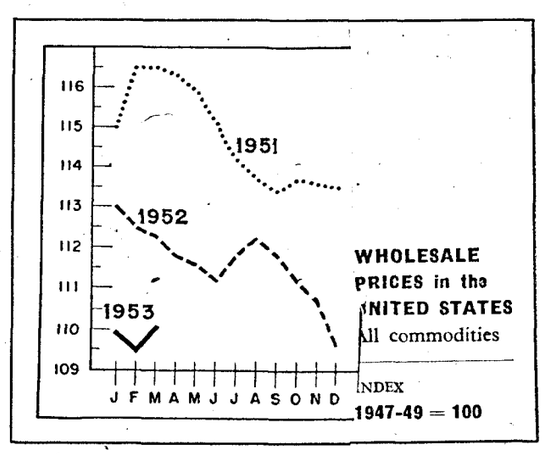
* After taking into account the newiation for exports through the parcel post.

that time (which is believed to be thee), the equivalent excess of £69.6 million in April suggesreal visible deficit of upwards of £20 million (or over o million a year). The country's usual surplus on invi: account may be covering this visible deficit, but prnably only just.

Weaker Canadian Dollar

SINCE the begiming of this monthe Canadian dollar has depreciated in terms of sing from $2.77¾ to $2.80⅛, and its premium on the Ulollar has narrowed from 1½ cents to under ½ a cent. Thieakening can in part be explained by the fact that Cana balance of current payments is normally unfavourable his time of the year. But it also reflects the recent reimition of quotas, and in some cases of outright bans, one import of several types of agricultural produce into tUnited States—as a byproduct of price-support regulats there. The latest available figures for Canadian tradre those for March. They showed an excess of imjts over exports of $47.4 million, compared with a surplus of exports over imports of $32.3 million in March, 1952.

Another—and perhaps the main—explanation of the weakness of the Canadian dollar can be found in the trend of capital movements. The recent rate of investment of United States capital in Canada has declined considerably, while a certain amount of short term money has flowed back from Canada to the United States. When the full Canadian balance of payments figures for 1952 are published, they will probably reveal a net outflow of capital from Canada to the United States—a sharp reversal of the trend in previous years. This reversal is probably not unconnected with the recent rise in discount rates in the New York market. The Treasury bill rate there has now touched a twenty-year peak of 2.35 per cent; this is much higher than the comparable Canadian short term rates.



Heights of Olympus

THE remarkable height of 63,688 feet (over 12 miles) reached last week by a Canberra bomber fitted with Bristol Olympus engines is likely to set a new official world altitude record for aircraft. The importance of the new record lies not in its absolute height, for other aircraft may have "unofficially" exceeded this, while manned balloons have gone considerably higher, but in its implications for future aircraft design and development. If modern engines can develop sufficient power to raise bombers to these altitudes—and the Olympus will power production versions of Avro's delta-winged Vulcan bomber—they present a formidable challenge to the designers of intercepting fighters. The higher a bomber flies, the longer it takes a fighter to climb up to meet it, and when the bomber is flying not far short of the speed of sound, the fighter must attack at supersonic speeds, which are at present reached only in a dive.

There is little doubt that engines going into service would enable fighter aircraft to reach such altitudes. Rolls-Royce has recently pointed out that the use of re-heat (burning more fuel in the hot exhaust gas of the engine) on the newer Avon engines means a "very considerable" increase in the maximum altitude at which a fighter can operate, but it is less certain whether existing airframes are suitable for flying in the rarefied air encountered in the region of 60,000 feet at the speed demanded of them. It seems likely, therefore, that provided the engine designers can give a fighter a rate of climb fast enough to bring it to within reasonable distance of the bomber, future attacking operations would be left to guided missiles released by fighters. But the efficiency of this method of defence, as distinct from reliance on supersonic high-altitude fighters, rests on the speed with which such guided missiles, and similar, bigger weapons fired from the ground, can be developed. This is a responsibility shared by the electronics industry and the aircraft manufacturers, and the complete answer has not yet been found. It is technical progress of this kind which throws one branch of air defence out of phase with another; that is the principal justification for switching the emphasis of rearmament from mass re-equipment to the continuous introduction of new types in more limited numbers.

Gold and the Gap

THE International Monetary Fund has in the past been in the forefront of those who have professed to see an indissoluble link between a fixed world price for gold and "sound money"—without ever very precisely defining what the latter phrase means. It is impossible to believe therefore that it is a very willing host—through the medium of the latest issue of its "Staff Papers"—to the report made to it by the Oxford economist, Mr Roy Harrod, who last year was temporarily attached to its research department as economic adviser. For Mr Harrod reports flatly that the main cause of the persistent lack of balance in world payments in the postwar world is that the dollar price of gold has remained fixed while the price of all other items entering into world trade has risen two-and-a-quarter times over. This uneconomic pegging of the price of gold has had all the usual crippling effects of price control in any field. It has caused a reduction in the volume of gold production. It has induced private hoarders to cash in with purchases of this bargain-basement commodity so that in recent years about half the value of the world's reduced gold output has disappeared into their hands instead of into the hands of central banks. It has inevitably meant that non-dollar countries have had to operate their trading policies on the basis of hopelessly inadequate central reserves—hence, as Mr Harrod sees it, their import restrictions. And it has borne especially heavily on Western Europe, which is now unable to earn sufficient gold from exports to South Africa and other "third countries" to pay for its imports from the United States, as it did before the war; even if inflation were wholly removed in Western Europe, Mr Harrod believes, this difficulty would remain. On the other hand, Mr Harrod points out, "if the value of newly mined gold becoming available for money outside the US and the USSR had borne the same relation to the value of world trade as it did in the 1930s, the rest of the world could have paid for the whole realised surplus of the US on goods and services account in 1950 to mid-1952 without loss of reserves and without aid (other than military items)."

Mr Harrod may be inclined to put too little weight on the other factors that have led to lack of balance between the dollar and non-dollar worlds since the thirties; he believes that it is mainly due to changes in the invisible account, above all to the loss of net dollar earnings from shipping, that the US surplus on current account expanded from 13.5 per cent of the value of American exports in 1936-38 to 19.6 per cent in 1950-52. This analysis may tend to disregard the extent to which the gap is artificially held down today by import restrictions—and to disregard too what would happen if ever the American boom was punctured. There is also a case for saying that there were certain absurdities in the prewar system, whereby America's surplus on current account was persistently financed by transfers of useless gold from the underground mines in the land to the underground vaults in Fort Knox. But the abolition of this system has not been a deliberate act of policy. *The Economist* has argued before that the question of the gold price may be one of several cases where "the exercise of America's monopoly buying power has had undesirable consequences that Americans have not realised or intended." The more frequently this point is hammered home in Washington, the better.

Coal on the Ground

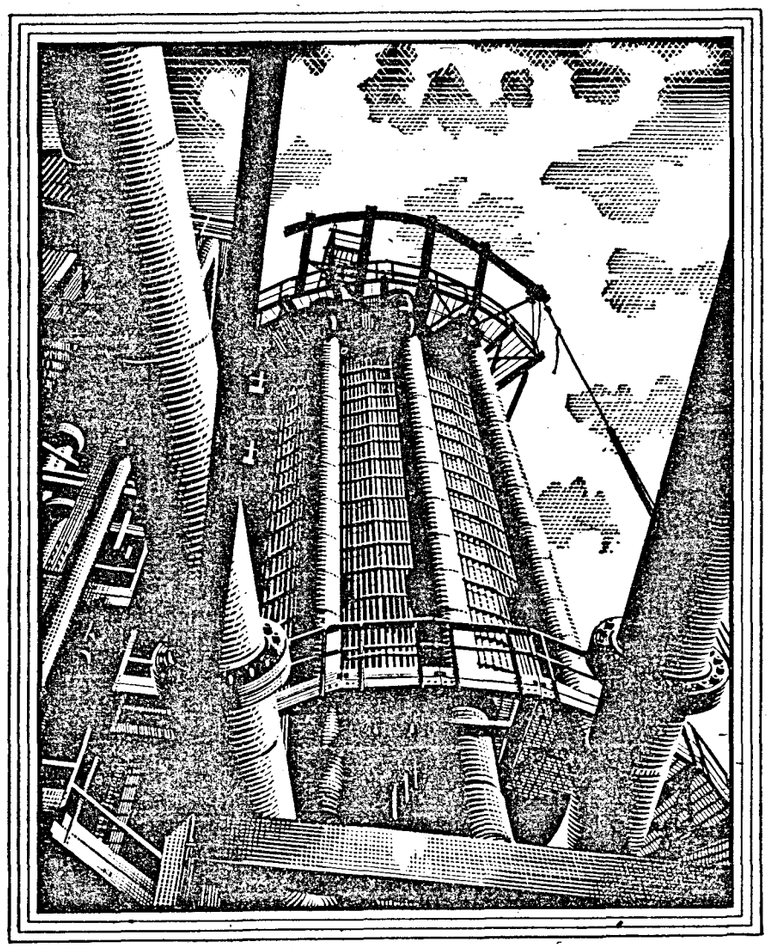
SINCE April last year, when the National Coal Board took over responsibility for the opencast working of coal from the Ministry of Fuel and Power, about 13 million tons of coal has been excavated from the surface workings; but the board had only about 11¼ million tons of it. This was a deliberate policy to deal with last year's slackening in demand for coal and probably a sensible one. But as a result of it the Opencast Executive completed its first nine months, the end of the board's financial year, £993,050 into the red.

The board's policy piled up stocks of opencast coal from about 400,000 tons when it took over to 3,100,000 tons at the end of last year. This was costly; the board says that the expense of stocking coal accounted for "virtually the whole" of the Executive's loss, though the Executive had stocks worth £6,100,000 in hand at the end of the year and may reap a windfall profit, when it sells them, from higher prices. The circumstances render the loss of 2s. 1½d. a ton on the 9,036 tons of saleable coal produced, and the "proceeds per ton saleable" of 47s. 9½d., quite incomparable with the colliery profits of 6d. a ton obtained from average proceeds of 57s. 3d. a ton of saleable mined coal. Broadly, production of saleable coal from the mines corresponded with actual sales, so that "proceeds" bear some rough relation to the average price actually obtained; but less than 7 million tons of the "saleable" opencast coal produced seems to have been sold. Average costs of production—49s. 11d. a ton opencast against 56s. 9d. a ton mined—are more comparable (the board estimates that it has fully provided for compensation and restoration of land). Both averages conceal wide ranges of cost, the largest element in the opencast figure being the price negotiated with each of the contractors now excavating the coal for the board; but the opencast average seems to have risen considerably less than the average cost of mining coal, apart from being absolutely lower.

*

To use opencast stocks as a buffer is logical. This coal is usually moved by road, and can be switched more easily to stocking grounds. The men who work the draglines know they have a contract to move a given amount of coal and overburden for an agreed price; the faster the better, for profits and earnings. Stocks piling up may cause some physical problems on the site; but not the psychological troubles that stocks at the pithead causes in some coalfields. Originally, too, opencast working was begun as an emergency operation to supplement insufficient output from the mines; the Ministry, indeed, was thinking of a time-limit on operation. The board's policy, however, may differ. It is at present talking blandly of producing "as much opencast coal as possible for a number of years to come": 10 million tons a year, it estimates, would mean 25,000 men employed at opencast production at any one time. Considering the high cost of opencast, by comparison with the 104 mines that the board reports are now producing coal at a loss of £1 a ton or more, this is logical enough, though restoration costs may well rise sharply in future. And the Coal Board, after all, is used to being unpopular.

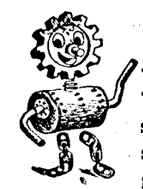
There's a future in STEEL



On the Isle of Grain in Kent the centuries-old work of extracting salt from sea water has given place to the modern industry of oil refining. More than a hundred thousand tons of steel have been used in the construction of Anglo-Iranian's newest oil refinery there. Through the six hundred miles of steel pipeline now laid on this site four million tons of oil will pass each year for processing. The finished products will serve homes and factories throughout Britain, and land, sea and air transport in many countries.

Here in the towering columns of the oil refinery steel plays a vital part. The steel industry is supplying the material for this and many other new projects and is constantly developing new steels to meet the changing demands of modern industry, science and engineering.

'What about my future?' says JACK SCRAP



The steel industry still needs all the scrap which engineering firms and other steel-users can send back. Search out every ton of scrap on your premises. Your local scrap merchant will help with dismantling and collection.

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ABRIDGED STATEMENT OF FINANCIAL POSITION
as at March 31st, 1953

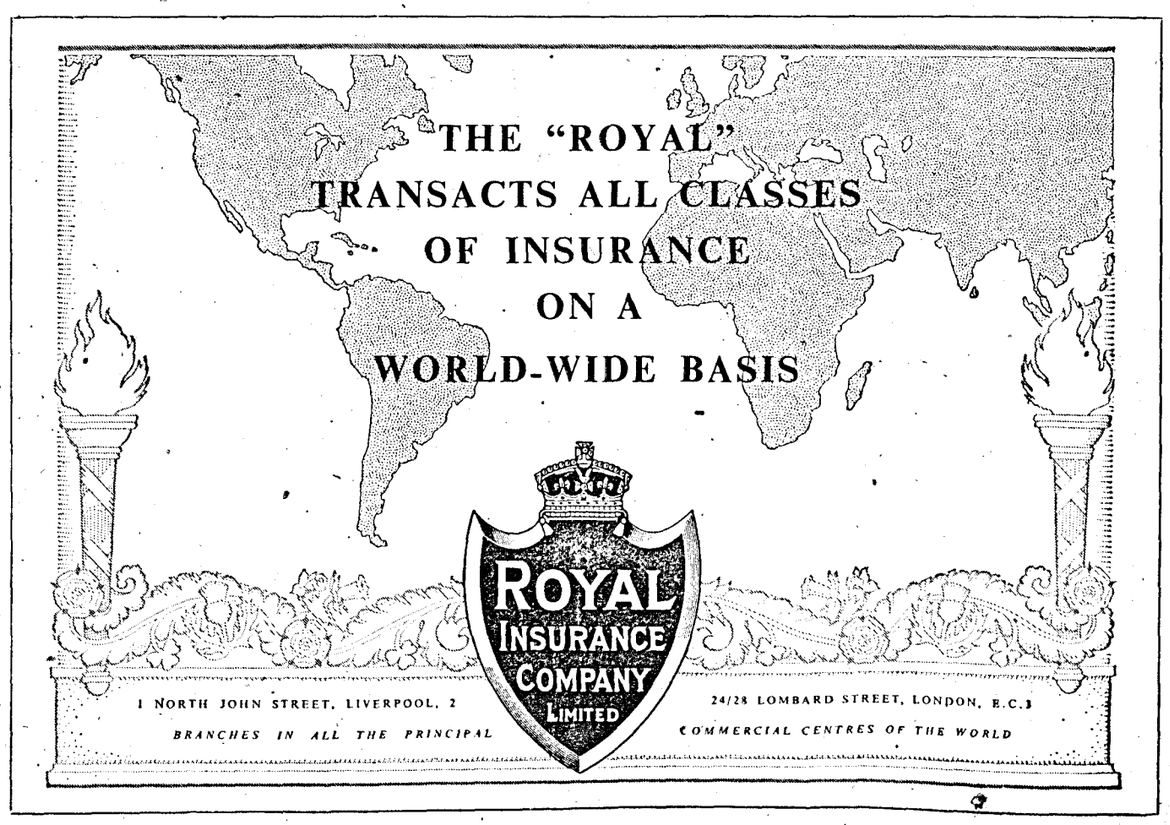
	£		£
SHARE AND LOAN CAPITAL		INVESTMENTS AND ADVANCES	
Authorized	45,000,000	Debentures and Secured Loans... ...	10,785,426
		Unsecured Loans...	5,690,132
Issued and Taken Up	25,250,000	Preference Shares...	7,800,669
		Ordinary Shares	2,010,128
RESERVES AND UNDISTRIBUTED PROFITS ...	1,106,679		26,286,355
		PROPERTY, FURNITURE AND EQUIPMENT ...	50,249
		NET CURRENT ASSETS	20,075
	£26,356,679		£26,356,679

BIRMINGHAM
214 Hagley Road, Edgbaston

LONDON
7 Drapers' Gardens, E.C.2

EDINBURGH
33 Charlotte Square

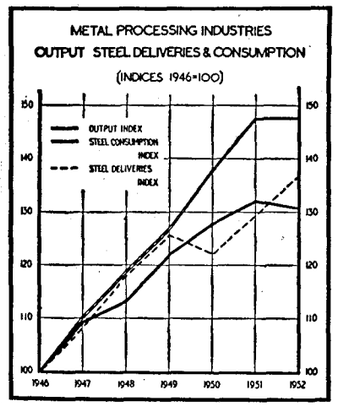
MANCHESTER
India House, Whitworth Street



Steel Output Steady

So far this year steel output shows every sign of fulfilling the industry's forecast of 17½ million tons for production in 1953. Output last month was at an average rate of 348,000 ingot tons a month, slightly lower than in March because of Easter holidays but still the highest ever recorded in any April ; over the first four months of the year output has been steadily achieving an annual rate of more than 18 million tons. Pig-iron output has been at the rate of more than 11 million tons a year. The steel industry expects to use about 9.7 million tons (750,000 tons of it imported) in making steel this year, with about 9¼ million tons of scrap—of which only half a million tons is expected from overseas. The industry's stocks of steel-making materials were built up last year ; there should be no reason to increase them during 1953.

Merchants' and consumers' stocks of steel, as well as steel and materials stocks inside the industry, rose during 1952 ; and in its current statistical bulletin the British Iron and Steel Federation estimates that no less than 610,000 ingot tons of last year's reputedly scarce steel was "sterilised" in this way. The federation casts a somewhat puzzled eye at the volume of complaints about steel shortage last year, from official as well as private sources. It finds the official view —that engineering production was hampered by steel shortage early last year but later picked up as allocation and steel supplies improved deliveries to consumers—"difficult to reconcile" with the statistics. These show that in the first half of 1952 output from the steel-using industries was above the corresponding level the year before, while steel deliveries were slightly higher ; in the second half of 1952 the output of metal goods was about 3 per cent lower than a year before, though deliveries of steel were markedly higher. The postwar relationship between deliveries of steel to the metal-processing industries (which take about 80 per cent of home steel deliveries), actual steel consumption by them, and their output is shown in the accompanying chart. "Whether there would have been the same emphasis on shortage is if steel could have been more appropriately distributed," comments the federation with justifiable sourness, "is an open question."



Buoyant Wool

Raw wool prices, which fell by 60 or 70 per cent between the beginning of 1951 and the beginning of 1952, have been remarkably firm (they have in fact risen slightly) throughout the past year. Contrary to some expectations, prices have again been well maintained both at the May series of London auctions (which ended this week) and at recent sales in Australia and New Zealand. At the London auctions better qualities were up to 5 per cent dearer than in March and lower prices were recorded only for some of the shorter staple qualities. Considerable business was done in top-making grades at 96d. a lb, while 66's touched a peak of 124½d. a lb. Demand for all qualities except the lowest was strong both from the Continent and Bradford, and there was brisk auctioning of Australian, New Zealand and South African clips.

As ample supplies have been coming on to the market, the well-sustained price level clearly results from genuine buying by mills that had let their stocks run low last year but that have recently been encouraged by steady buying of worsted and woollen goods by the public. Dealers seem confident that raw wool will continue at its present level till the end of the main wool selling season in a few weeks' time. The wool textile industry in Britain continues to be busy in all sections and at the end of March 161,890 workpeople were employed in it, the highest figure for two years and nearly 20 per cent more than a year ago ; the rate of consumption of raw wool in March was 49 per cent more than a year ago and higher than at any time since 1950. There are prospects of a larger wool clip next year but this is having no noticeable effect on this season's auctions.

Loss in the "House"

The Stock Exchange made a loss of £7,853 on its internal management in the year to March 24th last. Its total outgoings, which included the provision of £2,500 for profits tax and the transfer of £50,000 to the annuities redemption account as well as ordinary management expenses, fell from £601,616 to £568,496 ; but this was more than offset by the decline in gross revenue from £598,693 to £560,643. This decline in revenue was directly attributable to the fact that there were more old members who died or resigned than there were new members elected ; the total membership fell from 3,711 to 3,577, with a consequent reduction in members' subscriptions from £238,721 to £233,995 and in entrance fees from £62,475 to £30,450. At the same time subscriptions and entrance fees for clerks fell from £65,133 to £60,147.

The loss would have been even larger had not the Council of the Stock Exchange used its cash balances to increase its holdings of Government securities from £100,500 to £448,117, and so received £15,830 in interest compared with £3,800 in 1951-52 ; it would be intriguing to know whether it was before or long after the midsummer low point that the high priests of the House themselves turned from bears to bulls. With business at a low ebb, stockbroking looks like an uncomfortably overcrowded profession and there is little incentive for newcomers to join it. If it is to avoid a further loss, the Council may have to raise its subscription and entrance fees. After the fuss about commission rates, this may seem like putting a razor to its own throat ; but the demand for a seat, as distinct from for a security, is probably inelastic.

Company Notes

MARKS AND SPENCER. Dividend announcements by Marks and Spencer seem to be doomed to a churlish response in the stock markets. For the second year running an increase in dividends has been greeted by a fall in share prices. This time the "A" shares were initially marked down by 3s. to 51s. 6d., following an effective increase in the dividend from 40 to 50 per cent; this has been achieved by the recommendation of a full year's dividend of 50 per cent on a capital of £4,523,492 (as increased by last year's 100 per cent scrip issue), compared with the 1951-52 payment of 80 per cent on the original capital of £2,261,746. Encouraged by the Woolworth dividend, some investors had been looking for a bigger increase than this and had been hoping that the company would revert to the practice, suspended a year ago, of making a small annual bonus issue of shares as well.

This disappointment to over-sanguine dividend hopes should not obscure the fact that the company's preliminary profit figures for the year to March 31st indicate a remarkable recovery in trade. The company's gross profits in 1952-53 are returned at £8,223,081, compared with £6,513,877 in 1951-52 (when losses on stocks—particularly stocks of textiles—were written directly off profits) and, perhaps more significantly, with £7,335,900 in 1950-51. As the latest financial year was one of comparative stability in prices, this increase in earnings must mirror a very real expansion in sales.

	Years to Mar. 31, 1952	1953
Earnings :—	£	£
Profit, before tax	6,513,877	8,223,081
Depreciation	713,642	764,590
Repairs	804,545	717,351
Taxation	2,790,000	4,275,000
Net profit	*2,205,690*	*2,466,140*
Ordinary dividends	949,933	1,224,810
Ordinary dividends (per cent)	80	50
Stock contingency reserve	500,000	...
General reserve	883,198	1,500,000
Added to carry forward	*Dr157,066*	*Dr534,820*

5s. 'A' ordinary share at 52s. 3d. yields £4 15s. per cent.

The Inland Revenue Authorities are, of course, the first to benefit from this advance in profits, and the taxation provision has been increased from £2,790,000 to £4,275,000 (including £450,000 for EPL). Even so, net profits have risen—from £2,205,690 to £2,466,140—and the company has been able to appropriate substantial sums to reserves as well as to increase the equity dividend. It is a welcome sign of the times that the directors have appropriated nothing to stock contingency reserves, compared with the £500,000 transferred a year ago; instead, they have added £1,500,000 to general reserves, compared with £883,198 in 1951-52. The 5s. "A" ordinary shares, now at 52s. 3d., offer a yield of 4¾ per cent. Even for a growth stock such as this, in a business that should be more sheltered than most in the event of serious recession, this is a yield that will only attract the optimists.

★

GUEST KEEN AND NETTLEFOLD. Among the shares that were marked up when the Chancellor promised the death of EPL at the end of this year were the £1 ordinary stock units of Guest Keen and Nettlefold. The preliminary profit statement of the group for the 53 weeks to January 3rd last clearly shows why. The group's trading profits rose last year by over £1 million to £12.3 million; but, thanks to an increase in taxation from £6,059,782 to £7,031,757 (including £1,200,000 for EPL), its net profits actualiy declined—from £2,926,993 to £2,627,720. In the face of this decline in net earnings the directors could do no more than to maintain the equity dividend rate at 15 per cent while making approximately the same appropriations to reserves as they did in 1951. In the current year shareholders can look towards a further advance in gross earnings with a certain degree of confidence; but as EPL will still be mulcted from those earnings they cannot be at all confident that an expansion in the business will be immediately reflected in an increase in the dividend. It may therefore be another two years before the company's equities can resume their full status as a growth stock—and there is no guarantee that the engineering industry will be as prosperous in 1955 as it is now. In the more immediate future, shareholders will also be concerned to know whether the group intends to buy back its former steel shares after denationalisation. Perhaps some light will be thrown on this subject when the full accounts are published—but, if so, the group will have to break the precedent of cagey silence set by Vickers and others.

	Years ended Dec. 29, 1951	Jan. 3, 1953
Consolidated earnings :—	£	£
Trading profit	11,271,030	12,308,594
Total income	12,023,147	13,491,958
Depreciation	2,465,311	2,921,190
Taxation	6,059,782	7,031,757
Net profit	*2,926,993*	*2,627,720*
Ordinary dividends	889,980	918,234
Ordinary dividends (per cent)	15	15
Retained by subsidiaries	1,016,539	1,044,688
General reserve	1,000,000	1,000,000
Added to carry forward	719	*Dr12,258*

£1 ordinary stock at 47s. 0d. yields £6 8s. per cent.

★

WHITBREAD. Like its most obvious rival, Ind Coope and Allsopp, Whitbread and Company controls a big chain of public houses in this country; but like Ind Coope, it is turning more and more of its attention and efforts to selling bottled beers across the counters of off-licences and of public houses owned by other brewers. As this market still appears to be expanding—though, perhaps, only at the expense of the market for draught beers—both companies seem to have enough elbow room for a slight but steady increase in business and profits. In the year to December 31st last, Whitbread's net profits improved from £866,323 to £903,015; these profits were struck after charging £1,064,192 (compared with £1,123,272 in 1951) for taxation and after crediting special profits of £179,153 (compared with £209,059). This advance has encouraged the directors to increase equity payments for the third year running. This time the ordinary dividend has been raised from 23 to 25 per cent, so that at the current price of 80s. the £1 "A" ordinary stock units yield 6¼ per cent. This yield is lower than that offered by most brewery shares; but the disparity seems just about justified by the company's proved willingness to adapt its business to changing demand and to pass some of the fruits of success to equity shareholders.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 6, 1953	Price, May 13, 1953	Net Yield, May 13, 1953	Gross Yield, May 13, 1953
War Bonds 2½% '52-54	99⅞	99⅞	£ s. d. 1 4 0	£ s. d. 2 12 4
Exchequer 2½% 1955	99⅛	99⅛	1 10 3	2 13 6
Exchequer 3% 1960	100	100⅛	1 13 7	3 1 6
Ser. Funding 1½% '53	99⅛	99⅛	1 14 1	2 9 10
Ser. Funding 1½% '54	98⅜	98⅜	1 16 7	2 12 5
Ser. Funding 3% '55	100⅛	100⅛	1 8 1	2 14 11
War Bonds 2½% '54-56	99⅛	99⅛	1 8 9	2 13 1
Funding 2¾% '52-57	99⅛	100	1 10 9	2 15 0
Nat. Def. 3% '54-58	101⅜	101⅜	1 8 11	2 17 7
War Loan 3% '55-59	100⅛	100⅜	1 11 7	2 18 11
Savings 3% '55-65	95⅛	96	2 1 2	3 9 7
Funding 2½% '56-61	96⅜	96⅜	1 17 2	3 0 5
Funding 3% '59-69	90⅜	90⅜	2 17 10	3 16 8
Funding 3% '66-68	92⅛	92⅛	2 5 7	3 14 7
Funding 4% '60-90	98⅛ 99⅛	98⅛ 99⅛	2 7 2 / 2 4 10	4 3 7 / 4 1 2
Savings 3% '60-70	89⅜	89⅜	2 8 11	3 18 3
Savings 2½% '64-67	87⅛	88	2 7 11	3 12 2
Victory 4% '20-76	101⅛	101⅛	2 1 9	3 18 2
Savings 3% '65-75	86⅛	86⅛	2 8 11	3 18 11
Consols 4% (aft. 1957)	89⅛	90⅛	2 8 11	4 9 6
Convs. 3½% (aft. 1961)	81⅛	81⅛	2 7 5	4 6 5
Treas. 2½% (aft. 1975)	59⅞	60⅛	2 5 10	4 3 6
Treas. 3% (aft. 1966)	70	70⅜	2 7 0	4 5 8
Treas. 3¼% '77-80	91⅜	50⅜ *	2 7 10	4 1 2
Redemption 3% '86-96	80⅛	80⅜	2 7 5	3 19 0
War Loan 3½% aft. 1952	80⅛ *	80⅜ *	2 7 8	4 6 8
Consols 2½%	60⅜	60⅛	2 5 5	4 2 9
Br. Elec. 3% '68-73	87⅜	87⅜	2 9 3	3 18 9
Br. Elec. 3% '74-77	86⅛	86⅜	2 8 8	3 18 7
Br. Elec. 4½% '74-79	100⅜	100¼	2 6 6 / 2 6 7	4 5 1 / 4 5 1
Br. Elec. 4½% 'A' '74-79	99⅜	99⅜	2 6 9 / 2 6 9	4 4 10 / 4 4 10
Br. Elec. 3½% '76-79	91⅞ *	91⅞ *	2 7 1	4 0 5
Br. Trans. 3½% '78-88	81⅛	81⅛	2 9 1	4 0 9
Br. Trans. 3% '68-73	87⅛	87⅛	2 9 3	3 18 9
Br. Trans. 4% '72-77	98⅛	97⅛ *	2 7 6 / 2 6 11	4 3 10 / 4 3 6
Br. Gas 3% '90-95	80⅛	* 80⅜	2 7 11	3 19 5
Br. Gas 3½% '69-71	94⅞	94⅜	2 6 2	3 19 3
Br. I. & S. 3½% '79-81	91⅜	91⅜	2 7 4	4 1 3

(e) To earliest date. *(f)* Flat yield. *(t)* To latest date. *(s)* Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (a) (b) (c)	Ordinary Stocks	Price, May 6, 1953	Price, May 13, 1953	Yield, May 13, 1953
% %				£ s. d.
20 *a* 40 *b*	Anglo-Am. 10/-	5⅛	5⅛	5 2 1
5 *a* 30 *b*	Anglo-Iran. £1	6¼	5⅝	5 19 2
7½*a* 12½*b*	Assoc. Elec. £1	80/-	77/6	5 3 3
7½*a* 22½ *f*	Assoc. P. Cem. £1	112/6	115/6	5 6 8
10 *a* 33 *b*	Bass £1	120/-	118/9	7 4 11
10 *a* 10 *b*	Boots 5/-	19/3	19/6	5 2 7
3 *a* 7 *b*	Brad. Dyers £1	25/6	25/6	7 16 10
4½*a* 6½*b*	Br. Celanese 10/-	22/6	22/6	4 17 9
17½ 4 *a*	Br. Motor Cp. 5/-	6/3	6/-	8 13 4*g*
6 *a* 9 *b*	Br. Oxygen £1	53/3	53/-	5 13 2
3 *a* 3 *b*	Can. Pac. $25	$49⅛	$48⅛	5 9 11
7½*b* 5 *a*	Coats £1	45/-	43/-	5 16 3
6½*b* 5 *a*	Courtaulds £1	38/6	38/-	5 18 5
16 *c* 24*a*	Cunard £1	38/-*	35/6*	9 0 4
15 *b* 7½*a*	Distillers 4/-	16/9	16/3	5 10 9
17½*c* 17½*c*	Dunlop £1	46/3	46/3	7 11 4
15 *c* 15 *c*	Ford £1	55/7½	55/7½	5 7 10
15 *b* 3½*a*	Gen. Elect. £1	41/3	40/7½	5 10 9*p*
5 *a* 10 *b*	Guest Keen £1	50/-	47/-	6 7 8
7 *a* 10 *b*	Guinness 10/-	29/6	29/6	5 15 3
4½*a* 6½*b*	Hawker Sid. £1	38/3	38/-	5 5 3
5 *a* 8 *b*	Imp. Chem. £1	44/-*	43/6*	5 19 6
13½*a* 11⅜*b*	Imp. Tobacco £1	51/3	50/3	7 19 2*o*
$2·6 *c* $1 *a*	Int. Nick. n.p.	$72⅛	$71⅛	6 9 9
17½*c* 17½*c*	J'burg Con. £1	58/9	56/10½	6 3 1
5 *a* 10 *b*	Lancs. Cotton £1	42/-	41/9	7 3 9
7½*a* 10 *b*	Lon. Brick £1	62/6	61/10½	5 13 1
15 *a* 35 *b*	Marks & Sp. A 5/-	55/-	52/3	4 15 8
6¾*a* 11½*b*	Monsanto 5/-	20/6	20/6	4 9 5
6 *a* 14 *b*	P. & O. Def. £1	54/6	54/6	7 6 9
17½*b* 7½*a*	P. Johnson 10/-	31/-	30/-	8 6 8
†100 *c* †105 *c*	Prudentl. 'A' £1	36⅛	36⅛	5 4 5
175 *b* 50 *a*	Rhokana £1	16⅞	17	13 4 8
10 *b* 5 *a*	Rolls Royce £1	61/10½	60/7½	4 19 9
†5 *a* †10 *b*	"Shell" Reg. £1	84/4½	84/4½	6 9 3
8½*b* 7½*a*	Tube Invest. £1	59/6	55/6	5 8 1*h*
5 *a* 20 *b*	Tur. Newall £1	51/3	50/3	4 19 6*m*
5 *a* 8½*b*	Unilever £1	49/3	47/9	5 13 1
12½*c* 8¾*c*	Union Castle £1	21/6*	21/6*	6 19 6
5 *a* 5 *b*	Union Disc. £1	43/-	43/-	4 13 0
†4½*a* 16⅜*b*	Utd. Molass. 10/-	27/9	27/9	7 4 7*q*
7½*a* 12½*b*	U. Sua Betong £1	36/10½	35/7½	11 4 8
2½ *a* 12½*b*	Vickers £1	47/-	46/6	6 9 0
15 *a* 40 *b*	Woolworth 5/-	53/-	52/9	5 4 3

(a) Int. *(b)* Fin. *(c)* Div. whole yr. *(g)* Div. 17½% for 4 months. Yield basis 10½%. *(h)* Yield basis 15%. *(k)* On doubled capital. *(m)* Yield basis 12½%. *(o)* Yield basis 20%. *(p)* Yield basis 11½%. *(q)* Yield basis 20·06% gross. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 9, 1953, total ordinary revenue was £84,273,000, against ordinary expenditure of £64,318,000 and issues to sinking funds £1,310,000. Thus, including sinking fund allocations of £2,868,000 the deficit accrued since April 1, 1953, was £4,930,000 compared with a deficit of £50,883,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54 £'000	April 1, 1952 to May 10, 1952	April 1, 1953 to May 9, 1953	Week ended May 10, 1952	Week ended May 9, 1953
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1782,250	142,451	139,883	14,651	11,349
Sur-tax	127,000	12,200	11,700	2,100	1,900
Death Duties	160,000	16,700	22,500	3,600	3,500
Stamps	52,000	6,000	6,500	900	1,200
Profits Tax & EPT	214,000	30,600	18,500	3,600	3,200
Excess Profits Levy	99,500	...	3,900	...	1,000
Special Contribution and other Inland Revenue	1,000	290	170	50	60
Total Inland Rev.	2435,750	208,241	203,153	24,901	22,209
Customs	1044,300	114,363	114,132	19,405	19,961
Excise	680,480	92,214	92,915	25,739	39,485
Total Customs and Excise	1724,780	206,577	207,047	45,144	59,446
Motor Duties	69,000	5,522	6,148	625	2,068
MO (Net receipts)	2,685	200	400	200	400
Broadcast Licences	16,000	1,000	1,000	...	...
Sundry Loans	25,000	1,935	112	1,880	57
Miscell.	95,000	10,723	12,008	280	93
Total Ord. Revenue	4368,215	434,198	429,868	73,030	84,273
SELF-BALANCING					
Post Office	224,615	22,100	23,000	5,800	8,100
Income Tax on EPT Refunds	3,300	704	592	98	304
Total	4596,130	457,002	453,460	78,928	92,677
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	78,296	77,396	2,707	2,649
Payments to N. Ireland	48,000	4,081	4,407	1,360	1,469
Other Cons. Funds	10,000	627	567	...	...
Total	673,000	83,004	82,370	4,067	4,118
Supply Services	3586,286	398,786	352,571	71,500	60,200
Total Ord. Expend.	4259,286	481,790	434,941	75,567	64,318
Sinking Funds	...	3,291	2,858	1,230	1,310
Total (excl. Self-Balancing Expd.)	4259,286	485,081	437,799	76,797	65,628
SELF-BALANCING					
Post Office	224,615	22,100	23,000	5,800	8,100
Income Tax on EPT Refunds	3,300	704	592	98	304
Total	4487,201	507,885	461,391	82,695	74,032

After decreasing Exchequer balances by £39,422 to £3,188,484, the other operations of the week decreased the National Debt by £9,972,808 to £26,094 million.

NET RECEIPTS (£ THOUSAND)

Land Settlement (Facilities) Acts, 1919 & 1921	13
Cotton (Centralised Buying) Act, 1947, s. 21(3)	4,250
	4,263

NET ISSUES (£ THOUSAND)

Post Office and Telegraph (Money) Act, 1952	1,000
CWT Refunds	370
Local Authorities Loans Act, 1945, s. 3(1)	6,600
New Towns Acts, 1946 & 1952	1,300
Cinematograph Film Production (Special Loans) Acts, 1949 & 1950	250
Town & Country Planning Acts, 1947	100
Miscellaneous Financial Provisions Act, 1946 s. 2(1)	
War Damage: War Damage Commission	3,000
Finance Acts, 1946 & 1947: Postwar Credits	356
	12,976

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	3,520	2½% Def. Bonds	1,060
Nat. Savings Certs.	2,900	3% Def. Bonds	2,665
3½% Def. Bonds	1,520	2½% Nat. War Bonds 1951–53	50
Tax Reserve Certs.	432	Other debt Internal	60
		Ways and Means Advances	14,510
	8,372		18,345

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
May 10	2,590·0	1,521·3	317·6	0·2	...	4,429·1
1953						
Feb. 7	2,910·0	1,414·1	245·0	...	...	4,569·1
„ 14	2,890·0	1,416·1	235·1	...	...	4,541·2
„ 21	2,870·0	1,441·5	270·8	1·8	...	4,584·1
„ 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
„ 14	2,820·0	1,540·5	275·1	...	...	4,635·6
„ 21	2,810·0	1,569·5	332·2	...	...	4,711·7
„ 31	4,406·6		303·5	3·8	...	4,713·9
April 11	2,880·0	1,585·3	243·7	...	...	4,709·0
„ 18	2,950·0	1,542·3	298·6	...	...	4,791·0
„ 25	2,990·0	1,514·8	288·2	...	...	4,793·0
May 2	3,010·0	1,478·8	256·6	...	...	4,745·4
„ 9	3,030·0	1,462·3	238·6	3·5	...	4,734·4

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Min. Rate %
1952						
May 9	230·0	300·5	230·0	47	4·11	68
1953						
Feb. 6	220·0	315·8	220·0	48	3·19	51
„ 13	220·0	297·2	220·0	48	7·78	62
„ 20	230·0	321·7	230·0	48	7·90	56
„ 27	230·0	314·4	230·0	48	0·25	66
Mar. 6	240·0	326·9	240·0	48	0·25	65
„ 13	250·0	256·4	250·0	47	11·74	57
„ 20	260·0	351·0	260·0	47	11·78	63
„ 27	250·0	334·6	250·0	48	0·20	67
Apr. 2	230·0	322·8	230·0	48	3·93	60
„ 10	250·0	357·6	250·0	48	4·20	62
„ 17	230·0	360·8	230·0	48	3·51	45
„ 24	210·0	330·3	210·0	47	8·04	58
May 1	210·0	351·1	210·0	47	7·37	34
„ 8	240·0	347·4	240·0	47	7·83	56

On May 8th applications for 91 day bills to be paid from May 11 to May 16, 1953, were accepted dated Monday to Saturday as to about 56 per cent at £99 8s. 1d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million were offered on May 15th. For the week ended May 16th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals, 5 weeks ended: May 3, 1952	May 2, 1953	Week ended May 2, 1953
SAVINGS CERTIFICATES			
Receipts	11,150	19,300	4,300
Repayments	15,000	12,700	2,500
Net Savings	*Dr 3,850*	6,600	1,800
DEFENCE BONDS			
Receipts	4,235	8,425	1,750
Repayments	6,995	9,630	1,920
Net Savings	*Dr 2,760*	*Dr 1,205*	*Dr 170*
POST OFFICE AND TRUSTEE SAVINGS BANKS			
Receipts	70,051	73,720	14,577
Repayments	72,632	81,057	18,267
Net Savings	*Dr 2,581*	*Dr 7,337*	*Dr 3,690*
Total Net Savings	*Dr 9,191*	*Dr 1,942*	*Dr 2,060*
Interest on certs. repaid	4,050	3,683	725
Interest accrued	12,301	12,399	2,487
Change in total invested	*– 940*	*+ 8,774*	*– 298*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

MAY 13, 1953

	£		£
NOTES ISSUED:—			
In Circulation	1519,722,914	Govt. Debt	11,015,100
In Banking Department	30,633,909	Other Govt. Securities	1535,765,998
		Other Securities	707,786
		Coin (other than gold)	2,511,116
		Amount of Fid. Issue	1550,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1550,356,823		1550,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	348,214,439
Rest	3,309,166	Other Securities	28,319,629
Public Depts.	60,454,046	*Discounts and Advances*	*9,965,002*
*Public Accts.**	*14,719,717*	*Securities*	*18,354,627*
H.M. Treas. Special Acct.	*45,734,329*		
Other Depts.	330,664,360		
Bankers	*263,447,142*	Notes	30,633,909
Other Accts.	*67,217,218*	Coin	1,812,595
	408,980,572		408,980,572

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	May 14	April 29	May 6	May 13
ISSUE DEPT. :—				
Notes in circulation	1,409·2	1,514·0	1,516·5	1,519·7
Notes in banking department	41·2	36·3	33·8	30·6
Government debt and securities*	1,446·7	1,546·8	1,546·7	1,546·8
Other securities	0·7	0·7	0·8	0·7
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT. :—				
Deposits :—				
Public Accounts	11·7	13·8	14·4	14·7
Treas. Special Acct.	0·5	39·5	39·5	45·7
Bankers	269·8	261·8	269·0	263·4
Others	71·3	73·8	65·3	67·2
Total	353·3	388·9	388·2	391·0
Securities :—				
Government	286·3	329·3	321·5	348·2
Discounts, etc.	15·8	13·8	13·2	10·0
Other	26·4	25·5	35·7	18·3
Total	328·5	368·6	370·4	376·5
Banking dept. reserve	42·7	38·2	35·7	32·4
	%	%	%	%
"Proportion"	12·0	9·8	9·1	8·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,500 million to £1,550 million on March 25, 1953.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1953	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 7	74·0	85·25	164 0	87 0
„ 8	74·0	85·25	162 8	86 11
„ 9	Markets closed		164 5	87 3
„ 11	74·0	85·25	164 12	87 4
„ 12	74·0	85·25	163 12	87 10
„ 13	74·0	85·25	163 8	87 12

COMPANY MEETINGS

THE ANGLO-PORTUGUESE TELEPHONE COMPANY, LIMITED

BENEFIT OF NEW PLANT REFLECTED IN HIGHER REVENUE

OVER 10,000 TELEPHONES ADDED IN 1952

CONTINUED EFFORTS TO MEET GROWING DEMANDS

SIR ALEXANDER ROGER ON OUTLOOK FOR GOOD AND SOLID BUSINESS

The annual general meeting of The Anglo-Portuguese Telephone Company, Limited, will be held on June 4th at Strowger House, 8, Arundel Street, London, W.C.

The following is the statement by the chairman, Sir Alexander Roger, KCIE, which has been circulated with the report and accounts for the year ended December 31, 1952 :

Accounts.—The continued progress of your company during 1952 is shown clearly in the accounts. Total revenue at £1,640,952 showed an increase of £136,556, the increase arising largely from new plant which is being regularly installed for adding new subscribers.

The exchange rate has continued at Esc. 80.50 to the £ and all currency figures have been converted at that figure, as in 1951 and 1950.

Total expenses are up by £126,334, that is from £1,386,754 in 1951 to £1,513,088 in 1952. In total expenses are included renewals and depreciation, royalties, taxation, debenture and loan interest, debenture sinking fund instalments and the net cost of the issue of new ordinary share capital in June last. The rise in expenses was due partly to increased royalties out of the higher revenue and partly to the upward trend in costs generally. The company pays to the Portuguese Government in the form of royalties 7½ per cent of its annual gross earnings and in 1952 this amounted to the substantial sum of £122,816. The accounts also contain a full year's charge in respect of a 10 per cent supplement on basic wages effective from January 1, 1952. This, together with its effect on the company's pension scheme contribution, meant an addition of over £38,000 to wages and pensions for 1952, much the greater part of which being chargeable to revenue.

DIVIDEND RECOMMENDATIONS

The net profit of £127,864, compared with £117,642 in 1951, out of which we propose to pay a final dividend on the ordinary stock of 5 per cent which, together with the interim dividend of 3 per cent paid in November last, makes 8 per cent for the year. It is also proposed to pay a dividend of 8 per cent on the "A" ordinary stock. Dividends account for £110,362 and, after transferring £15,000 to the reserve for contingencies, the carry forward is increased by £2,502, bringing this up to £77,314.

The consulting engineers have made their annual investigation of the telephone plant and equipment and have again recommended that an additional allocation be made to the normal provision for renewals charged against revenue. The provision for renewals is now £1,679,677 and represents about 28 per cent of the cost price of installed plant, which the consulting engineers state in their opinion is adequate.

The replacement value of the telephone plant, land, and buildings is, in the opinion of your directors, considerably in excess of the balance sheet figure. As you know, it is the policy of your directors to invest the company's reserves in the business to the economic advantage of both stockholders and the telephone-using public in Portugal.

POST-WAR EXPANSION

The progress and expansion has accelerated rapidly since the end of the last war. From the beginning of 1947 to the end of 1952, telephone plant, cables, and other equipment has been shipped to Portugal to the value of £2 million, and out of this total £450,000 was shipped in 1952. In addition, 70,000 Contos, say, £800,000, of a variety of materials has been purchased in Portugal. The expansion of well-established industries and the development of new ones in Portugal, particularly in the last two or three years, enables our administration to make more purchases there and in 1952 alone the value of these amounted to some £187,600.

Portugal is not in a position to manufacture the highly specialised technical plant which a modern telephone service demands. This is understandable, as the present-day standard of electrical and mechanical efficiency of such intricate and sensitive equipment has only been evolved out of years of investigation and scientific research and the lifetime studies and skill of engineers and craftsmen. Nevertheless there is an increasing variety of accessory and ancillary equipment and supplies of a general nature which we can and are most happy to purchase in Portugal.

For one reason or another, therefore, our policy regarding purchases of materials is bilateral. The company helps in the productivity of both Great Britain and Portugal, which strengthens the industrial and commercial relationships between the two countries as a whole.

GENERAL PROGRESS OF THE COMPANY

Conversations by telephone go back to the days of Graham Bell, who invented the telephone in 1876. Your company does not date back that far, but it was only 11 years later, in 1887, when it began operations in Portugal by taking over the rights to do so from the Edison Gower Bell Telephone Company of Europe Limited.

The first few telephone conversations of those days in Lisbon have grown to 160 million conversations over our two systems in Lisbon and Oporto during the year 1952 and, at December 31st last, telephone stations had increased from only a few to 119,353. In 1952 alone we were able to add 10,160 new stations, a record for the company in any one year, and the growth goes on steadily.

In my statement last year, I said that work was well advanced on Graca, a new main exchange in the busy north-eastern area of Lisbon. The building was completed, enabling installation work to go ahead and, by the end of the year, final tests were being made. The exchange equipment, which was manufactured by the Automatic Telephone and Electric Company of Liverpool, and the cable plant by the British Insulated Callender's Cables of Prescot, was wholly installed by your company's engineering staff in Lisbon. On January 24th last, Graca was cut into service providing an initial number of 10,000 exchange lines and an ultimate capacity of 20,000. The cost of this new Lisbon exchange, together with its equipment for interworking in other existing exchanges, amounted to 38,000 Contos, about £472,000 sterling.

The importance of this new exchange created considerable interest in London and Portugal and the London *Financial Times* sent a representative to Portugal to report upon the country generally. A reprint of the article on Graca, as it appeared in the *Financial Times*, was circulated to all stock holders on February 18th last.

Once again the company was honoured by the attendance of the Minister of Communications, Colonel Manuel Gomes de Araujo, who presided at the ceremony. Supporting the Minister were the British Ambassador, Sir Nigel Ronald, KCMG, CVO, the Civil Governor, the President of the Camara, and senior representatives of the Portuguese Government Telephone Administration. Among the 150 guests were many other leading figures from government and municipal departments and banking and commercial and industrial circles. Before the ceremony many of the guests toured the exchange and inspected the equipment.

Excellent speeches were made by the minister, the chairman of your board in Portugal, and the general manager. The ceremony and the speeches were recorded and relayed later in the evening over the national broadcasting networks.

MOST CREDITABLE ACHIEVEMENT

The technical cut-over took place successfully at midnight, the whole operation taking only 45 minutes—a remarkably short time when it is considered that it involved the complicated operation of transferring to Graca from three other main exchanges some 6,300 telephone lines. The subscribers concerned were disconnected for only nine minutes, and at that hour most of them were unaware of this. It was a most creditable achievement, being the result of many months of planning and preparation and the application of long experience.

We are all users of most public utility services—water, gas, electricity, transport and telephones—and those of us in the business know all too well that the spotlight of public opinion is constantly centred on our activities.

Operating as we do in a foreign country, the utmost care was taken to prepare the public for the change-over, involving many alterations in the telephone numbers of subscribers, and among the precautions adopted were the publication of a new directory well in advance, together with public announcements in the press and cinemas and on the wireless.

Much to my regret, I was unable to attend the inauguration myself, but your London board and British technical specialists were well represented.

FULL OBJECTIVE NOT YET REACHED

Before proceeding to further matters, I quote the following translated paragraph from the speech of HE the Minister of Communications at Graca as reported in the official Government daily newspaper, *Diario da Manha :*

"The anxiety of Portuguese to have a telephone is clear evidence of the enormous economic impulse and civilising influences which have taken place in Portugal in the last few years, but it is not only a consequence of its relative economic prosperity but also of the political pattern and social calmness under which the country is governed, lives and works. The APT, like the Portuguese Government Telephone Service, conforming to the general rule to-day obtaining in many countries—even the most prosperous where the telephone has for very long been widely used—have been pursuing for years their objective to give prompt attention to all new applications. The truth is, however, for various reasons, among which stands out the setback provoked by five years of war after which it took time to reconvert industries, that they have not yet reached their objective."

We agree entirely with His Excellency the Minister that our company has not yet reached its full objective. A telephone operating company can never stand still, and we shall not be satisfied until we can meet the demand for service within a matter of days of the receipt of applications. In common with a great number of other telephone organisations in various parts of the world—Great Britain for one—the problem is a difficult one. The waiting list at December 31, 1951, was 22,527, and, after adding 10,160 new telephone stations during the year, which is the equivalent of 7,250 new subscribers, the waiting list at December 31, 1952, was still 22,020, which is a reduction of 507 only.

That is the degree of demand with which we are confronted and which we are strenuously and with the best advice of our telephone experts endeavouring to meet.

OUTLOOK FOR GOOD BUSINESS

There is no limit to the outlook for good and solid business for your company in the future years, the tempo of which, however, must be governed by engineering practicalities and the continuity of financial ability.

We have every sympathy with the waiting applicants and we can assure them and the Government that we fully recognise our obligations to provide service. As a measure of our activities we have since May 1, 1950, the date of the last tariff revision, to March 31, 1953, added 30,000 new stations and, since June, 1950, raised £2,250,000 of permanent capital.

For the benefit of the non-technical, however, it should be realised that while periods of acceleration are possible, to maintain these over several years creates problems involving land, buildings, operating standards and staffing of trained personnel, is uneconomic and costly to all concerned and can only result in a low level of service.

The ability to obtain finance from time to time can reasonably be expected provided that operating conditions are right, and that the national and international situation at the time is not adverse. It is quite another matter, however, to obtain money for a programme which cannot be proved in technically and economically, or to be in the interests of the telephone subscribers from the points of view of service and cost, and this is a situation we have successfully avoided.

We promise the Government and the public as heretofore that we shall continue to use all our considerable technical resources at home and in Portugal, and all the financial resources available to us to reduce the waiting list in the shortest time possible.

RECONSTRUCTION AND MAINTENANCE

The building and equipping of large modern exchanges is relatively spectacular and bears fruit for many years, but less spectacular although equally essential work must continue on reconstruction and maintenance. The skill of our engineers in the re-use of recovered plant is most commendable and our workshops staff in Lisbon and Oporto do a valuable job of repair and rehabilitation.

Among the work on inside plant undertaken and satisfactorily completed, in addition to the Graca development, was the installation of a 400-line extension at Olivais and the extension of Benfica and Estoril Exchanges, all in Lisbon. In Oporto extensions were made to Lapa, Boavista, Foz, Matosinhos, Gala and Espinho Exchanges. In addition there was in both areas extensive work carried out on outside plant. Each telephone connected to an exchange must be made readily available to every other telephone on every other exchange in the system.

In short, the capital expansion programme was satisfactorily completed within the time limit we had set ourselves and with very few additions to staff and workpeople.

The telephone rates paid by subscribers in your company's system consist of a fixed monthly rental, plus the cost of calls on a graduated and reducing scale, according to usage. It will readily be appreciated that the calling rate is of paramount importance as one of the factors in the total revenue earned by the company.

The calling rate fluctuates with the seasons of the year, but the average per day per subscriber is about 5.75 effective calls in Lisbon and 4.80 in Oporto.

We have to keep a close check on the figures, particularly as new subscribers coming on to the system, especially those of the residential category, are generally small users of the service, which tends to bring down the overall average of the calling rate.

Constant review of rates therefore is always necessary not only because of the rising heavy cost of telephone plant and general expenses but because of the average fall in revenue per subscriber, which becomes more noticeable with the increasing number of smaller users.

At the present time, however, it can be said that the Lisbon and Oporto subscribers are enjoying an efficient and inexpensive telephone service.

FINANCE

Last year I referred to the basis of finance which your company has adopted by which Telephone and General Trust provide the temporary unsecured loans for plant and equipment until such time as we can call for permanent capital. By June, 1952 the total borrowings from the Trust had reached £400,000, and it became desirable to make an issue of ordinary shares for the purpose of refunding the loan and providing a balance in hand. By the end of 1952 we had £73,967 cash on deposit, but this has been used and recently we have again recommenced temporary borrowings from the Trust.

It is therefore proposed at the forthcoming annual general meeting to create an additional 1,400,000 ordinary shares, bringing the total of unissued ordinary share capital up to £1,550,000 in readiness to issue in whole or in part at such times as the board may decide.

We have to consider constantly the future as the placing of orders must be made well in advance of service, particularly for exchange equipment which, owing to its intricate nature, requires many months of engineering and manufacture.

LONG-TERM PLANNING ESSENTIAL

Long-term planning is essential and the closest co-ordination between the operating company, the consultants, and manufacturers at home must be maintained throughout production if the finished equipment is to pass the stringent tests which must be made upon it.

Your board has authorised the placing of orders for materials of substantial value, and during 1953 it is proposed to carry out extensions to a number of exchanges and to develop and improve the service generally.

Fortunately, your company, through its group connections, can depend on the financial assistance of Telephone and General Trust Limited, and, on the manufacturing side, Automatic Telephone and Electric Company, Limited, and British Insulated Callender's Cables Limited for the supply of exchange equipment and cables. In addition, there is a service company, a subsidiary of Telephone Trust, which includes among its personnel qualified engineers and technicians and men with years of experience in other branches of telephone supervision and management.

The reputation and technical organisation of our British group is widely known in Portugal, inside and outside the Government, and they recognise and appreciate the advantages to be gained from the combined resources and services which the group is able to offer.

PORTUGAL

In Portugal's economic affairs the past year was marked by the announcement early in September of the six-year economic plan, the object of which is the industrial and agricultural development of Portugal and her overseas territories, while at the same time undertaking additional public works.

It is estimated that the cost of this plan when completed will be 13½ million contos, which at the present rate of exchange is, in round figures, the equivalent of £168 million. Of this, £93 million is allocated to Continental Portugal and £75 million to the overseas territories.

In Continental Portugal it is proposed to develop agriculture through irrigation, increase hydro-electric power, to complete industrial projects already begun and create others, and to improve all forms of communications.

Of the £93 million, £41 million will go to industry, including the largest single item of development, the production and distribution of electricity, to which £30 million has been allocated.

In the overseas territories natural resources will be harnessed through the development of electric power, irrigation, and land settlement. At the same time improvements will be made to roads, railways, seaports, and air communications.

This plan represents a mobilisation of the national wealth on a scale which is unique in the history of Portugal and is typical of the courageous government of the Estado Novo—the New State, which was instituted in 1933.

As the plan is gradually brought into operation it can be expected that Portugal will

benefit from greater productivity, which will be reflected in the additional demands on the public services, and in our case the telephones, with increasing business to them all.

FAVOURABLE BALANCE OF PAYMENTS

As a result of Portugal's favourable balance of payments in recent years, it became necessary early in 1952 for the Government to restrict exports to many countries in western Europe in an attempt to reduce the increasing credit balance which they held against other European Payments Union countries. By the end of the year these measures had met with success and many of the restrictions imposed earlier were lifted.

As a member of the North Atlantic Treaty Organisation, Portugal is playing her part in building up military and naval power sufficient for her needs and responsibility and, whilst making a substantial contribution, is happily in a position to achieve this end without serious disruption of her economic life.

This carefully devised economic plan is in sequence to the general reconstruction plan which has achieved successful results over a number of years.

On April 27, 1928, HE Dr. Antonio de Oliveira Salazar was appointed Minister of Finance in Portugal and four years later, in 1932, he became Prime Minister. Through all the subsequent years, which include those of the greatest World War, His Excellency's courageous and successful leadership of his country has been admired and respected by all Christian countries.

Portugal in size is a small continental country, but its geographical situation places it on the main air routes of Europe, Africa, and North and South America and, among its vast overseas territories, are the islands of the Azores, the strategic value of which is outstanding.

The importance, therefore, nationally and internationally of calm and unfaltering leadership in Portugal requires no emphasis.

In addition to his political leadership and social reforms, Dr Salazar has performed financial miracles with his successive budgetary balances, consolidation of national debt and in transforming the escudo into one of the hardest currencies in present-day monetary spheres.

I am sure that I have your endorsement of the cablegram I sent to His Excellency on April 27th last, paying tribute to his courage, high principles and self-sacrificing example and expressing the hope that he will be spared for a great number of years to lead and guide the destinies of Portugal.

VISITS

In October last I paid a visit to Portugal and during my stay was once again received most cordially by the Prime Minister, HE Dr Antonio de Oliveira Salazar. I was able to discuss with him many of the problems which confront an active company like ours, and I found, as always on the many occasions when he has received me, that His Excellency has a keen perception and understanding of our affairs and problems.

During my stay I had a series of meetings with a number of Ministers of the Government, namely, the Ministers of Communications, Presidency, Ultramar (Overseas), Foreign Affairs and Corporations and with the Director-General of the Ministry of Information.

In all the meetings I sensed an atmosphere of friendliness and good feeling towards the telephone company and I was gratified to have this further evidence of satisfaction with the earnest endeavour we are putting into Portugal in expanding and developing the telecommunications within the areas of our operations.

PERSONNEL

Your company has good friends in Portugal and is particularly fortunate in its advisers. The chairman of the board in Portugal, Engenheiro Antonio Branco Cabral, and our legal adviser, Doctor Antonio Bustorff Silva, in spite of their other business activities, do not spare themselves in the furtherance of the company's interests.

The other directors of the board in Lisbon are ever ready with their support and advice based on their specialised knowledge of the country.

In Oporto, we have Snr. Antonio d'Oliveira Calem, CBE, who is one of the leading industrial personalities of that city, and his wide business experience is available at all times.

Our general manager, Mr R. S. Thorp, has grown up in the company and is in his twenty-eighth year of service. He has mastered all sections of operating management, and he is a practical engineer and technician with long years of experience to draw on. He is invaluable to the company, has earned excellent standing in Portugal, and your London and Portugal directors have complete confidence in him.

In Oporto we have Mr J. C. C. Mitchell in charge, who has been with the company for about 23 years and who was appointed manager in January, 1951. He fits into the scheme of things there admirably. In these and the numerous senior executives and departmental heads, British and Portuguese, you can be assured that your company has a first-class team.

Good administration and organisation, however, is not alone sufficient; it requires the backing of specialised trained staff and able workpeople, men and women of good will and willing spirit.

Like all concerns at home and abroad, we have our staff problems, but in all sincerity I can state that our people of all ranks, and there are in Portugal some 3,300, respond most loyally to the maximum consideration which it is our policy to show to them all, within the limits of the company's economic and financial capacity.

I thank them for their services which have brought us through another year of activity, and in this I include my colleagues on the London board and the London staff, whose standard of efficiency, I can assure you, is maintained at a high level.

BRITISH OXYGEN COMPANY

INCREASED SALES IN ALL DEPARTMENTS

MR J. S. HUTCHISON ON THE OUTLOOK

The sixty-seventh ordinary annual general meeting of the British Oxygen Company, Limited, was held on May 14th, in London.

Mr J. S. Hutchison (the chairman), in the course of his speech, said:

The year 1952 benefited from an unusual coincidence of favourable circumstances resulting in an increase in consolidated profit after depreciation, of £732,000. This increase was composed firstly of profit accruing directly from development work of recent years, secondly of materially improved profits of overseas and home associated companies and thirdly, and to a less extent, of increased earnings from home business where a satisfactory and steady increase in sales helped to offset increased costs and still give modest additional profit.

The ordinary stock dividends this year absorb rather less than half the earnings of the year available for the equity capital and therefore take full cognisance of our particular need for retention of profit to assist in the capital development which is so prominent a feature with us. At the same time a modest increase is afforded to ordinary stockholders who have met several calls for additional capital in the seven years period during which their dividend has been static and in which our profits have increased materially and steadily.

INCREASED HOME TRADING

We experienced an increase in sales last year which was general to all departments, was above our anticipation and was of a very steady and gratifying nature. Despite further heavy increases in costs affecting the whole of our output, and largely as the result of plants operating steadily at full load, we have emerged with a margin of additional profit on home trading although that margin is not proportionate to the additional output.

I am glad to say that there has been a notable development in the use of Argon in the various manual and mechanised methods of welding of non-ferrous metals and certain alloy steels which cannot easily be welded in other ways.

TAXATION

The encouragement given by the Budget to industry and to individuals should have important practical and psychological effects in leading to a more settled position and in restoring incentive. On the all important matter of reduction of costs, a first step is taken with the Purchase Tax changes and this I hope may lead on soon to a position where we are once more enabled to pass on to industry the benefits of larger scale production which in recent times have been nullified by constant and heavy cost increases.

It is heartening indeed to find that the serious difficulties imposed by very high taxation on the development of industry for the benefit of the nation by greater exports, greater efficiency or greater employment, are being given the fullest measure of relief which it appears possible to give at present and that there is indication of the will to tackle the more fundamental problem of the pattern of industrial taxation which so very badly requires attention.

OVERSEAS INTERESTS

We had a propitious year overseas in 1952 in that the total of our profits from overseas sources increased materially and almost every individual unit, large or small, contributed to the increase.

PROSPECTS

I am glad to say that from the information so far available we have made a good start this year both at Home and Overseas despite any trade inhibitions still obtaining. I confidently expect that we shall finish 1953 with considerably enhanced group output and that it will be for us a year of considerable general advance.

Our profits come from many trading sources in many countries and are subject to many possible happenings. The field for variation is wide but nevertheless I am firmly optimistic as to the outcome for 1953 and I am very hopeful of being able to present good profits to you again next year.

The report and accounts were adopted.

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

YEAR OF CONTINUED PROGRESS

NEW LIFE ASSURANCES EXCEED £5 million

MR HUGH WATSON'S REVIEW

The one hundred and twenty-eighth annual general meeting of the company, was held, on May 13th, in Edinburgh.

The following is an extract from the statement by the Chairman, Mr Hugh Watson, WS, circulated with the report and accounts:

Since the last annual general meeting, Lieut Colonel the Hon Sir Piers Legh has been appointed to the London board in succession to Sir Ulick Alexander, who resigned on taking up residence in Southern Rhodesia. The chairman expressed gratitude to Mr Jackson Dodds, who had been chairman of the Canadian board since its formation and who has intimated his wish to retire, for the guidance and help which he gave to the company during the formative years of the Canadian branch and welcomed Mr L. S. Mackersy, the President of the Imperial Bank of Canada, who has joined the Canadian board.

Regret was expressed at the death of Dr Frank G. Donovan, who was, until recently, the chairman of the board in Melbourne, Australia, and of Mr David Roberts, who was the joint underwriter of the associated company, the Maritime Insurance Company, Limited, of Liverpool, with which company he had served over fifty years. The chairman also referred to the appointment of Mr Reginald H. Jones as underwriter of the "Maritime."

LIFE DEPARTMENT

During 1952 new life assurances exceeded £5 million for the first time in the company's history. Over 40 per cent of this total was connected with group or individual pension arrangements. In addition deferred annuities exceeding £550,000 per annum were effected in connection with group pension schemes. These figures illustrate the success which has attended the setting up of a special department to handle the growing and complex business of pension schemes, and they reflect the excellent service the company is able to offer the public in this connection. It can be said with confidence that the company is well equipped to handle all types of pension arrangements and to keep abreast of any developments in this class of business.

The life premium income increased from £1,182,607 in 1951 to £1,286,360 in 1952. These figures do not include single or annual premiums amounting to £790,447 in respect of deferred annuities which are included under the heading "Consideration for Annuities." During the year there was a small increase in the amount paid in respect of claims by death, but mortality experience continued to be favourable and the claims were well within the expected figures. At the end of the year the life assurance and annuity fund stood at £16,405,171 compared with £15,495,362 at the end of 1951.

FIRE DEPARTMENT

The fire premium income during the year 1952 exceeded £5,250,000, which constitutes a new record for the company.

The increase in the premiums amounted to over £161,000, and as it was not necessary to make such a large addition to the provision for unexpired risks as required a year ago, the very satisfactory profit of over £458,000 resulted in the fire account for transfer to the profit and loss account.

To provide for unexpired risks in respect of the substantial amount of our fire business in North America which is written for a term of years with the premium payable in advance, it was considered prudent to transfer £150,000 from the profit and loss account to the additional reserve in the fire revenue account. The result of this is to maintain a very strong fire fund, which now amounts to approximately £4,395,000 and represents over 83 per cent of the premiums for the year.

ACCIDENT DEPARTMENT

The premium income in the accident and general account increased by over £214,000, bringing the total to over £1,591,000. While part of this increase resulted from higher premiums for certain classes of business where the claims experience has been unfavourable (and in particular motor insurance) part is due to new business secured in sections of the accident account which have proved most satisfactory from an underwriting point of view during recent years.

Continuing efforts are being made to improve the experience in the motor account, and it is encouraging to report that our claims ratio for motor insurance in the home field has been materially better than during 1951. It is hoped that adequate rating and prudent underwriting will soon enable the company to feel the whole of the motor account is firmly established on a basis which will produce a reasonable rate of profit on the transaction of this class of business.

The increase of over £214,000 in the premiums made it necessary to set aside an additional amount of over £107,000 to provide for unexpired risks which as hitherto have been based on 50 per cent of the total premiums for the year. While a 50 per cent provision imposes a strain on a rapidly growing account, the board take the view that they should continue to follow the company's well-established practice and, to cover the consequent deficit, £55,222 has been transferred from the profit and loss account.

MARINE DEPARTMENT

The marine business is mainly handled by the associated company, the Maritime Insurance Company Limited of Liverpool. A year ago reference was made both to the keen rates in the marine market and also to the very careful selection of business which is exercised. These factors have resulted in a diminution in the premium income amounting to £23,804 compared with the peak figures of 1951.

A profit amounting to £95,000 in respect of the year 1950 and previous years has been transferred to the profit and loss account. Abnormal weather conditions and other factors have resulted in a series of quite substantial marine losses during the latter months of 1952 and the early months of 1953. While these naturally do not affect the results for 1951 and earlier years, it was felt prudent to increase the marine fund, which now exceeds £2 million.

INVESTMENTS

The year was distinguished in the investment world by a continued decline of British stock market prices in the earlier months until the Government's policy of higher money rates produced the effect of a freer economy and helped in the lowering of commodity prices. The recovery during the second half of the year did not restore market values to the levels of the 1951 year end, and the sum of £270,000 was transferred out of the life account to investment reserve. Most of the drop in market values has been recovered as a result of the further rise which has taken place since the end of the year. A large part of the depreciation suffered in recent years will be regained through the maturity of redeemable securities.

The yield on the life and annuity fund for 1952 amounted to £4 12s. 11d. per cent gross and £3 13s. 5d. per cent net. These figures constitute an increase during the year of 1s. 11d. per cent and 1s. 9d. per cent respectively.

DIVIDEND

The board have for some time had it very much in mind that the rate of dividend being received by the shareholders remained lower than it was before the war. A small increase in the dividend was made at the end of 1951 but this still left the dividend below the prewar figure. Having regard to inflationary trends and the raising of salaries, wages and costs generally, the directors have felt an obligation to restore, if not to increase, the prewar dividend as quickly as possible.

In keeping this matter in mind the conservative policy of the company has been continually observed with the feeling that an increase in dividend rate should not be made without some reasonable assurance it could be continued.

It is pleasing to report that the encouraging increase in interest earnings, coupled with the favourable fire underwriting experience and what is considered to be the inherent strength of the fire, accident and marine accounts, have convinced the board that the company can reasonably increase the dividend to 35 per cent, and the meeting was ask to approve the appropriate resolution.

CONCLUSION

Mr Watson concluded: "I wish to say a few words of thanks and appreciation.

We are indebted to Mr Geddes who, in the course of several visits to the USA and Canada in connection with other business, made contact with our representatives and was of considerable service to the company in consequence. Similarly our thanks are due to Sir John Gilmour who visited Australia, Canada and the USA. Visits of this kind are not only useful in connection with specific matters which may be under consideration, but also serve a valuable purpose in keeping the board and management closely in touch with the company's affairs overseas.

I also wish to make special reference to the services rendered to the company by our loyal and hard-working officials and staff at home and abroad. Accompanied by the general manager I have been able to visit most of the principal branches of the com-

ATLAS ASSURANCE COMPANY LIMITED

MR RUDOLPH E. F. DE TRAFFORD'S STATEMENT

The Annual General Meeting of the Atlas Assurance Company Limited, will be held at the Company's Offices, 92, Cheapside, London, E.C.2, on Friday, May 29th.

The following are extracts from the statement to shareholders by the chairman, Mr Rudolph E. F. de Trafford, OBE, on the report, accounts and balance sheets for the year ended December 31, 1952:

It goes without saying, of course, that the year 1952 was not without its problems but our results, though in some respects less satisfactory perhaps than in 1951, should not, I think, cause shareholders any disappointment.

One feature of immediate interest, and which I hope has fuller meaning, is that, in certain directions, a slowing down in the rate of expansion of our premium income seems to be perceptible and this is something that is not unwelcome. The truth is, of course, that whilst development, inspired by our own efforts, has played an appropriate part in the expansion which has taken place during the postwar years, it is circumstances beyond our control that have played the greater part. I have in mind, it will be understood, the fall in the purchasing power of money in terms of all other things—goods, property of all kinds and services. Whether the apparent change in momentum is no more than a pause, time alone will tell.

FIRE ACCOUNT

Our Fire premium income amounted to £6,049,628, as compared with £5,624,740 in 1951, and, after setting up the customary reserve to cover unexpired liability, there is an underwriting profit of £648,151 by comparison with £707,212 in the previous year.

ACCIDENT ACCOUNT

The expansion of our Accident Department premium income from £2,064,459 in 1951 to £2,472,946 in 1952 is due, I am glad to say, not so much to any inflationary trend as to rate increases, a general development of our business and a widening demand for insurance protection of one kind and another.

MARINE, AVIATION AND TRANSIT ACCOUNT

In the Marine Department our premium income at £807,042 was less by £84,549 than the 1951 total of £891,591. Chiefly responsible for this were lower prices in respect of certain commodities and an extension of import restrictions of one kind and another which naturally had its effect on the movement of goods.

As to claims experience, it will be noticed that claim payments amounted to £541,634, as against £521,475 in the previous year. The increase involved is due to heavier claim payments in respect of both hull and cargo business and, although this increase itself is of no particular consequence, it has, I suggest, its significance as indicating a trend not without its dangers.

The transfer of £75,000 to the credit of Profit and Loss Account is made largely in order to meet tax charges.

LIFE DEPARTMENT

The Life Assurance and Annuity Fund amounted at the end of the year to £23,450,446, an increase of £855,171 over the previous year's figure.

New business again constituted a record. Sums assured under new life assurances were £6,279,435 after deduction of reassurances, as compared with £5,641,967 for the previous year. Deferred Annuities amounted to £549,206 per annum, as against £482,546 per annum in 1951.

The premium income of £2,620,917 was £381,658 greater than in the previous year. The ratio of commission and expenses to premiums fell from £12 10s. per cent to £11 19s. 9d. per cent.

The gross rate of interest earned increased from £4 8s. per cent to £4 12s. 6d. per cent and the net rate from £3 12s. 6d. per cent to £4 1s. 7d. per cent.

The actuarial valuation at December 31st last revealed a surplus of £1,085,813. The sum of £375,000 was taken from surplus to provide for depreciation of investments and £125,000 was applied to increase the investment reserve to £325,000.

A reversionary bonus at the rate of 35s. per cent per annum, calculated on the sum assured and existing bonuses, has been declared for the three years 1950 to 1952.

The terms which we offer for all classes of assurance and annuity are attractive, but I would particularly draw attention to our with-profits contracts. As an illustration of the cumulative effect of a compound bonus I would mention that a bonus of 35s. per cent per annum compounded triennially is equivalent, over twenty years, to a simple bonus of 40s. 8d. per cent and, over thirty years, to a simple bonus of 44s. 6d. per cent.

PROFIT AND LOSS ACCOUNT

In my statement last year I explained the change which we had made in dealing with overseas taxes on profits and since it is the effect of this change and nothing else, which temporarily destroys a true comparison of our tax figures as between 1951 and 1952 there is not, I think, anything I need add to what I then said.

APPROPRIATION ACCOUNT

I am sure that shareholders will have received with pleasure the news of the increased dividend of 15s. per share, as compared with the 12s. 9d. per share paid for each of the past two years. After providing for this dividend, 6s. per share of which was paid in November last, and also setting up a provision for possible exchange losses (less United Kingdom tax relief thereon), the total carry-forward amounts to £1,037,288.

STAFF

To conclude, it is with pleasure that I place on record once more our appreciation of the good work of the staff, both men and women, who serve and care for our interests, whether those who so serve belong to the "Atlas" or to the companies which are of the "Atlas" family, or whether their duties lie south of the Equator, east of Suez, on the North American Continent, here in the United Kingdom or elsewhere in the world. The contribution of all these people to such success as we may achieve is a great contribution and we value it at its true worth.

CALEDONIAN INSURANCE COMPANY

SIR HENRY J. ROSS ON CONTINUED EXPANSION

The one hundred and forty-eighth annual general meeting of the Caledonian Insurance Company was held on May 14th in Edinburgh, the Deputy Chairman presiding.

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

Life Department: Our net new life business for the year, including group business, amounted to £2,996,216 as against £3,019,036 for 1951. Deferred annuities amounting to £200,580 were issued as compared with £106,120 for the previous year.

Premium income increased by £53,094 to £977,502 and the net interest income by £14,798 to £363,900. The net rate of interest earned on the fund was £3 9s. 5d. per cent.

Outgo in the revenue account shows that the amount paid under death claims was similar to the amount paid in 1951 but our maturity payments are considerably less.

Surrender payments have increased, but this is due to withdrawal payments under pension schemes to some extent and to the financial stringency of the times. The expense ratio is 16.7 per cent as compared with 16.2 per cent in our last accounts.

The life assurance and annuity fund at £10,923,394 increased by £501,915 during the year. Our assets are fully of the value stated and the market value of our Stock Exchange securities exceeds the value at which they appear in the balance sheet. At the end of this year our triennial valuation falls to be made.

Fire Department: The premium income for 1952 was £3,181,799, a reduction on the record figure of £3,304,365 for 1951. This decrease was entirely due to certain revisions made in our portfolio of business in the United States of America. Our world-wide trading again produced very satisfactory results. After increasing the additional provision by £75,000, the sum of £269,553 has been transferred to the profit and loss account.

Accident Department: The premium income for the year was £3,141,046, the highest figure in the history of the company, being an increase of £689,321 over the record figure for 1951.

I am pleased to report a decided improvement in the motor department results. Our underwriting in the other departments was successful, and the sum of £17,912 has been transferred to the profit and loss account.

Marine Department: The sum of £70,000 has been transferred from the account to the profit and loss account. The fund at £898,225 represents 175.4 per cent of the premium income, which is a satisfactory increase on last year's percentage of 165.5.

TOTAL PREMIUM INCOME

The total premium income for all departments increased from £7,255,211 to £7,812,559 and indicates the continued extension of our business. The amount of interest, dividends and rents (less tax) not carried to other accounts was £134,568.

The balance for the year transferred to the appropriation account was £220,811 after providing for taxation and for bad and doubtful debts.

The directors recommend an increase in the dividend from 3s. 6d. to 4s. 6d. per share, and an allocation of £35,000 to the staff pension fund.

The report was adopted.

MINERALS SEPARATION, LIMITED

YEAR OF FURTHER PROGRESS

ENTERPRISE PENALISED BY TAXATION

MR J. N. BUCHANAN'S REVIEW OF PRINCIPAL INTERESTS

The forty-eighth annual general meeting of Minerals Separation, Limited, will be held on June 4th at Winchester House, Old Broad Street, London, E.C.2.

The following is the statement by the chairman, Mr J. N. Buchanan, which has been circulated with the report and accounts for the year ended December 31, 1952:

Last year's consolidated gross profits, which were the highest hitherto in the history of the company, have been further increased this year by £50,000 to a total figure of £341,000. While dividends bring in nearly the same figure, the profits on trading are up from £117,000 to £174,000. This increase is due mainly to our Birmingham interests, and also, in part, to three months' profit from our newly acquired subsidiary, J. W. Jackman and Company, Limited, Manchester, about which I shall have more to say later on. On the other side of the consolidated profit and loss account you will notice that the Government's share of our success has grown from £175,000 to £227,000, including provision for excess profits levy of £30,000. While accepting the need for taxation on a heavy scale as cheerfully as we can, we are entitled to criticise, I think, taxation that discriminates against those who show enterprise in new development or expansion. Excess profits levy does just that. It is, therefore, disappointing that we are to have a second dose of this levy which *The Economist* has aptly described as "a fabulous piece of fiscal nonsense." We propose to pay the same dividend as last year on the increased capital; with the reduction in income tax this will take a net figure of £95,000 as against £80,000 last year—surely a modest enough reward for the risk-takers in comparison with the Government's share.

BALANCE SHEET FEATURES

Turning to the consolidated balance sheet, the increases in assets and liabilities are mainly due to the acquisition last September of J. W. Jackman and Company, Limited, our new subsidiary; and also to the expansion in turnover at Birmingham. In our opinion the unquoted investments are conservatively valued. The increase of cash is of no particular significance, and is partly explained by an accumulation of funds for the purchase this year of further shares in Foundry Services, Limited, as explained later.

We are not a finance company, but since the control of the company passed into new hands five years ago, as outlined in my speech dealing with the year 1947, our policy has been to acquire, for long-term investment, the whole or part of the capital of manufacturing or trading companies which, in our judgment, hold promise for further development. The steady growth to date resulting from this policy can, perhaps, best be illustrated by comparison of the results disclosed by our accounts at December 31, 1948 and 1952. This shows an increase, during the period, in gross profits from £179,000 to £341,000, while the combined total of investment reserve and balance of undistributed profit carried forward has risen from £655,000 to £932,000.

REVIEW OF PRINCIPAL INTERESTS

In accordance with our practice, I will now deal with our principal interests:

Rhodesia.—The strike last autumn and constant interference with coal deliveries caused a considerable drop in the planned production. The higher price of copper received during this period, as compared with the last operative year, will help materially to reduce the effect of those difficulties. We look therefore for successful results in the current year, which finishes at the end of March last in the case of Nchanga, and at the end of June next in the case of Rhokana and Mufulira. In March this year the long-delayed official consent was given to the Rhodesian Selection Group for leave to move Mufulira and their other companies to Rhodesia. This action is, I think, greatly to be welcomed. While taxation relief, apart from the initial gain, may not result in as much advantage as some expect, much benefit may be gained both by the companies and Rhodesia as a result of the direction residing in that country.

Whilst we maintain our confidence in the Rhodesian Copper Belt as one of our long-term investments, it will be appreciated that, owing to the spread of interests in other industrial fields that has taken place during the past five years, our stake in Rhodesia has been proportionately reduced. Actually, that proportion now represents about one-third of our total interests, so that we are no longer mainly a "Copper Company" but are predominantly engaged, directly or indirectly, in a well-spread range of manufacturing and trading undertakings.

HOWARD POTTERY COMPANY, LIMITED

All three factories in the group were fully employed during the year, despite the fact that in March, 1952, Australia made a drastic cut in her imports. As Australia is our second largest customer, this caused a serious disorganisation in the flow of production. On the other hand, relaxation in August of the prohibition against selling decorated goods on the home market was a favourable factor. The overall profit of the group was maintained at about last year's figure. Import controls in some of the export markets still hamper trade, but at present the current year is running at about the same level as last year.

FOUNDRY SERVICES' RECORD TURNOVER

Birmingham—Foundry Services, Limited.—Another satisfactory year's trading was experienced by Foundry Services, Limited, with the highest turnover in the history of the company and considerably increased profits. During the second half of the year the development section was strengthened with a view to still further extension of the existing range of products. Progress was made in the development of the Drayton Manor Works, where the company owns sufficient acreage to look after future expansion. The long-term policy is to develop this site as the main manufacturing centre for all "Foseco" products, and gradually concentrate most, if not all, of the company's activities on this site. Export business was well maintained, and overseas manufacturing units developed steadily. The sales of the Canadian company increased, and the French company in particular made increased profits. The German company is moving forward, and new companies in Italy and South Africa have begun operations. Of late months there has been some falling off in sales in this country, reflecting the recession which the foundry industry is experiencing, and we may, therefore, see some falling off in these profits this year.

The profit sharing agreement made between Minerals Separation, Limited, and Foundry Services, Limited, in 1944 has still at least six years to run, but early this year an opportunity was taken to acquire a further interest in Foundry Services (Holdings), Limited, and Minerals Separation, Limited, now own 50 per cent of the equity of that company, which is the holding company of the group.

Brandeis, Goldschmidt and Company, Limited.—Good progress continued in the activities of this group, and we received the same dividend as last year, which was very adequately covered by the profits.

J. W. JACKMAN AND COMPANY, LIMITED

Over 98 per cent of the shares in this old-established company, manufacturing foundry equipment, was bought by us in September last year. The activities are to some extent ancillary to those of Foundry Services, Limited, and both companies have many of the same customers. We are glad to say that Mr W. Rawlinson, to whose work the growth of the business is largely due, remains on the board, thus securing continuity, and Mr Weiss and I have joined the board. The year of this company has been changed to December 31, thus enabling us to include the figures in our consolidated profit and loss and balance sheet; the profits for the three months brought into these accounts were satisfactory. The first quarter's figures hold good, but the company cannot expect to escape entirely the uncertainty and possible further recession noticed in Birmingham above.

The expansion of the business continues to throw increased work on our secretary and his team here in London, and we are sincerely conscious of our debt to them all for their good work and loyalty.

VINE PRODUCTS

RECORD SALES

The twenty-seventh ordinary general meeting of Vine Products, Limited, was held on May 14th at Surbiton.

Mr A. Mitsotakis (vice-chairman and managing director) presided in the absence of the chairman, The Viscount Marchwood, KCVO, from whose speech the following are extracts:

I stated last year that 1951 was a difficult year, but I must say that the year under review was even more so. We were again faced with rises in costs of raw materials—especially grape juice—wages, transport and expenses of all kinds. Nevertheless, the profit under these circumstances will, I hope, be considered very satisfactory.

Your directors did not think it advisable to counter these increased costs by increased prices which, under present conditions and the altered position from a "sellers" to a "buyers" market, might well have resulted in shrinkage of sales. As a result of this policy our business continued its buoyant career and during 1952 our position relative to the whole trade has been further enhanced.

Our sales, particularly those made under our proprietary brands (V.P. "Point" wines), have constituted a postwar record. Our export trade has also made a considerable advance. We have during the year introduced two new lower-priced British sherries and these are already firmly established with the public.

In the face of increased competition from the imported vermouths sales of our Votrix vermouth continued to be satisfactory.

The financial position of the company continues to be as strong as it ever has been.

The report was adopted and the proposed dividend of 17½ per cent and capital distribution of 2½ per cent were approved.

KEMSLEY NEWSPAPERS LIMITED

VISCOUNT KEMSLEY'S ANNUAL REVIEW

The twenty-ninth annual general meeting of Kemsley Newspapers Limited, will be held on May 28, 1953, at Kemsley House, London. The following is an extract from the statement of the chairman, The Viscount Kemsley, circulated with the report and accounts for the year ended December 31, 1952, to be submitted to the meeting.

The accounts for 1952 now in your hands reflect the upward movement of costs and show also the corresponding figures for the previous year. The consolidated profit and loss account reveals that the profit of the group for 1952 after meeting all expenses including debenture interest amounts to £1,434,000 as compared with £1,662,000 for 1951.

For the first time for some years I am pleased to be able to acknowledge a small reduction in the demands of the tax collector. This arises from the reduction by the Finance Act, 1952, in the basic rate of profits tax as from January 1, 1952, and the Chancellor's Budget proposal, recently introduced, for a reduction of sixpence in the £ in the standard rate of income tax. However grateful we may be for these concessions, it is, nevertheless, still true that the burden of taxation falling on our group of companies is far too heavy. The charge for the year of £824,000 represents over 57 per cent of the consolidated earnings. In my statement last year I made reference to the inequitable incidence of the profits tax levied in respect of the dividends paid to preference stockholders. I make no apology for referring to this matter again, as no less than £102,000 of the charge for taxation is due to it and the whole of that amount must be borne out of earnings which would otherwise be available to strengthen the working resources of the business.

THE NET PROFIT

The effect is that after providing for taxation and allowing for the profits (£8,000) attributable to the minority interests in subsidiaries there remains a sum of £602,000 which is our company's share of the net group profit for the year. To this we are able on this occasion, mainly as a result of the substantial agreement during the year of the group's liability for excess profits tax, to add an amount of £253,000 which has been released from provisions for taxation set aside in earlier years. After adding this sum and deducting £40,000 representing profits retained in subsidiaries the net profit of Kemsley Newspapers Limited, is £815,000. The net dividends on the preference stock require £267,750, leaving some £547,000 available for strengthening the resources of this company and for dividends on its ordinary stock. The corresponding amount for the previous year was £333,000 but in that year we had no large special tax credit to help us as we have on this occasion. But for the release of past taxation provisions the amount now available would be smaller than last year by £39,000.

It is relevant at this stage for me to refer to the sale during the year of the copyright and goodwill of the *Daily Graphic*. Your directors gave this step careful and anxious consideration as part of their general long-term policy, to which I made reference last year, of conserving the resources of the group and improving its economic and efficient operation. They unhesitatingly concluded that the step was in the best interests of the company as a whole and that, in spite of the long association between the group and the *Daily Graphic*, the time had come when it was expedient to make the change, even though short-term sacrifices were involved.

In giving effect to the transaction in the accounts the opportunity has been taken to write a substantial sum off the copyrights and goodwill of the group and, consequently, an amount of £2 million has been transferred out of general reserve for this purpose. The application of this sum more than covers the capital loss arising on the sale.

In view of this draft upon the reserve your directors feel that it is in the interests of the stockholders to continue to conserve the resources of the company. They, therefore, recommend that the sum of £400,000 should be transferred to general reserve and that a final dividend of 5 per cent should be paid on the ordinary stock, making 10 per cent for the year which is the same rate as in 1951. After these appropriations the sum carried forward will be increased by £13,000 to £325,000.

THE SUNDAY TIMES

I am particularly glad to be able to make a favourable report on the *Sunday Times*. During recent years the *Sunday Times* has had to suffer some loss in circulation as a result of restrictions in newsprint and of increases in selling price. To an extent this has been self-imposed, for the view that we have always taken is that the maintenance to the full of the size and quality of the paper must take precedence over any considerations of circulation. Yet on each occasion the circulation of the newspaper has recovered and I am glad to say that although it is the highest priced Sunday newspaper, its progress over the last year, as recently published figures reveal, has been steady and substantial. It fully maintains its leadership in its class. I believe that the esteem in which it is so generally held will still further strengthen that position.

LOOKING FORWARD

As I look forward, I am of the opinion I expressed last year to the effect that any material rise in the total circulation of newspapers is unlikely. This means that any particular increase for particular publications must be achieved as a result of very hard competitive effort. We are well aware of that and the keenest attention is being paid to the content and presentation of all our newspapers. At the same time we are engaged in a continual battle with costs to secure that so far as is consistent with the full maintenance of quality, they shall be kept in close control. Nevertheless, the final outcome of our year's work must depend to a considerable degree on a factor over which we have no control, and that is the cost of newsprint. In relation to other commodities the degree by which the price of newsprint has increased as compared with 1939 is far greater than in most other directions. Were I to know now that during the year we could look forward to a substantial decrease in the price of newsprint, I would be able to conclude on a note of greater optimism than I have been able to employ in the last year or two. It would, however, be foolish for me to do so. Last year you will remember I said in concluding my speech that "we must occupy ourselves in consolidation and economy." That task still remains with us but not until there is some reversal of the upward movement of costs can we hope to produce results as satisfying as consistent effort deserves and we should desire.

BRITISH-AMERICAN TOBACCO

INCREASED SALES

The fiftieth annual general meeting of the British-American Tobacco Company, Limited, was held on May 8th, in London.

Mr T. F. Winmill (the chairman), in the course of his speech, said:

This is the fiftieth annual general meeting of British-American Tobacco Company, Limited. The company was incorporated on September 29, 1902, and, therefore, completed its fiftieth year of trading on September 30th last. I will not attempt to review the history of the company but it is a remarkable one, showing continued progress.

The consolidated results for the past year reflect some measure of the slackened pace of inflation as it affects us and our associates. This is a trend which is of immediate practical interest to you as stockholders, as will be seen from the profit and loss account, where you will have noted that transfers to fixed asset and stock replacement reserves—computed on the same principles as for the previous accounting year—amount to £800,000 against £1,750,000 in the preceding year, the available net profit being £400,000 more in respect of the year under review. This available net profit is, in our view, the true profit and the reserves ought, under a properly constituted taxation system, to be allowed as a deduction for tax purposes. The improvement does allow us readily to recommend the increase in the final distribution to be made in respect of the year to September 30, 1952.

A HELPFUL SIGN

As recorded in the explanatory statement, no liability to excess profits levy arose in respect of the past year, but I nevertheless welcome the recent announcement by the Chancellor of the Exchequer to the effect that this form of taxation will cease to operate as from January 1, 1954.

This, together with the reduction of the standard rate of income tax to 9s. in the £1 and the re-introduction of initial allowances, is a hopeful sign that the Government recognises the necessity of easing the burden of taxation which weighs so heavily on industry to the detriment of the long-term interests of the country as a whole.

The additional amounts left to industry are modest dimensions compared with its real needs. Industry has been carrying a huge and rising burden of inflated assets for many years without sufficient relief from taxation for increased replacement costs. The need to do more than merely replace assets is increasingly pressing.

In so far as our business and that of our Associated Companies is concerned, the policies of disinflation pursued by certain countries have had, to a greater or lesser degree, the anticipated effects on sales of cigarettes and other tobacco goods but, nevertheless, I am happy to report that, for the twelve months ended on September 30, 1952, the combined sales of your company and its associates showed an increase in volume over the previous year. The figures for the first six months of the current year continue to bear witness to the steady demand for the products of your group, but the present pattern of world events may well impart a more rapid impetus to disinflationary trends.

You will, I think, share my view that the results of the past year as now presented to you can be regarded as satisfactory, and the figures for the first six months give hope that the results for the current year will not show any very marked change.

I am glad to be able to report that we have regained possession of Westminster House and we are hopeful of being reinstalled there before the end of 1953; this may well be the last occasion on which our annual meeting will be held here.

FUTURE DIVIDENDS

I think it only right and proper that I should say a word in regard to the rates of the second interim and final dividends in respect of the current year, assuming that the resolutions to be put at the extraordinary general meeting which will be held immediately after the conclusion of this meeting, are approved by you and by the holders of the 5 per cent preference stock of the company.

The first interim dividend on the present issued ordinary stock for the current year has already been paid at the rate of 1s. per £1 stock; to maintain the same total cash distribution in respect of the year to September 30, 1953, as is proposed in respect of the past year and subject, as I have said, to acceptance of the resolutions at the extraordinary general meeting, the second interim dividend on the issued ordinary stock for this year would be declared at the rate of 4d. per 10s. stock and the final dividend on the issued ordinary stock would be proposed at the rate of 5d. per 10s. stock. In a full year under the new capitalisation, this would mean two interims of 4d. per 10s. stock and a final of 5d.

The report was adopted and at a subsequent extraordinary general meeting resolutions were passed approving the capitalisation of £11,878,880 10s. of reserves and undistributed profits and its distribution as ordinary shares of 10s. each to existing ordinary stockholders in the proportion of one new 10s. share for every £1 of stock held.

RANGALLA CONSOLIDATED

DIFFICULT YEAR

The thirtieth annual ordinary general meeting of Rangalla Consolidated Limited was held in London on May 11th, Mr Eric Davenport, ACA (chairman), presiding.

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

The year 1952 has been a difficult one for the tea producer, especially for mid-country estates such as ours, and the accounts show a working loss of £1,746 against a profit of £9,854 for 1951. The tea crop at 1,300,681 lb compares with 1,359,675 lb in 1951. The 1952 average of medium grown teas at Colombo auctions was 2s. 5.88d. against 2s. 8.4d. for 1951, or a decline of 2.52d. per lb, whereas the company's average records a drop of only 2.10d.; evidence that quality and manufacture were both well maintained.

In consequence of the settlement of taxation liabilities up to and including the year 1950, £8,000 is no longer required and has been brought back to the credit of profit and loss appropriation account. The disposable balance for the year is £7,876, being £10,842 less than a year ago. The appropriations include an interim dividend of 5 per cent for 1952 against 15 per cent for 1951. No further payment is recommended.

The outlook for 1953 is difficult to forecast, but we have commenced the new season well both as regards crop and sales. The crop estimate for the year is placed at 1,390,000 lb, and for the first quarter to March 31st 360,330 lb have been secured against 339,867 lb in 1952.

The report and accounts were adopted.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY

(Inc. in Newfoundland)

BENEFITS OF REHABILITATION PROGRAMME

MR ELLIOTT M. LITTLE'S REVIEW OF WIDESPREAD ACTIVITIES

The ordinary general meeting of Anglo-Newfoundland Development Company, Limited, was held on May 7th at the offices of the company, Grand Falls, Province of Newfoundland, Mr Elliott M. Little (the president) presiding

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

Trading results of our group in 1952 were generally less satisfactory than was expected at the beginning of the year. The vulnerable sulphite pulp market was an early casualty. Prices were forced down drastically, mainly by the action of the Scandinavian suppliers, and base metal prices settled to levels below those anticipated a year ago. The newsprint market remained firm, but the strong Canadian dollar, moving from a discount to a premium in relation to its US counterpart, cut sharply into income. This exchange factor also contributed substantially to the decline of our pulp and mining revenues.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED

The benefits of the rehabilitation programme are now being realised and our relative position with the industry is being steadily improved. Owing to the exchange factor, to which I have already referred, and to the continued upward pressure of wage rates, the net profit is down by about 9 per cent from the record figure achieved in 1951. It is believed that this relative stability will compare very favourably with the general industry trend.

Capital expenditure amounted to $3,853,281, the larger projects comprising this total being the conversion of a subsidiary groundwood mill to a power plant, construction of new acid towers and digesters and additional automatic grinders. Plans for capital expenditures over the next year or so will be influenced by the trend of the newsprint market with due regard being given to working capital requirements.

Newsprint consumption in the United States is steady at peak volume. It is reasonable to assume that the future trend will approximately follow the course of business generally. As regards the overseas markets there is a large but latent demand that could be activated by an easing of trade restrictions, particularly in regard to currency convertibility. It would appear that under conditions of unfettered international trade these markets could ensure capacity demand for Canadian newsprint for the foreseeable future.

GASPESIA SULPHITE COMPANY, LIMITED

The production for 1952 of 65,142 tons of unbleached sulphite pulp was 14,302 tons less than in 1951. This reduction was partly due to a drop in demand which caused a two-week shut-down and partly to the necessity of improving pulp quality.

A firmer demand, however, is expected for the bleached sulphite pulp to be produced after the bleaching plant, now being installed at Chandler, is completed about the middle of 1953.

The installation of the bleaching plant is progressing according to schedule, and an amount of $1,014,124 has been spent up to the end of 1952. This project is being financed to a substantial extent by certain customers who, by the end of 1952, had made advance payments of some $2,100,000 against pulp to be delivered in 1954 and subsequent years.

TERRA NOVA PROPERTIES, LIMITED, BUCHANS MINE

The mine operated continuously throughout the year, excepting legal holidays, and milled 334,000 short dry tons of ore—an increase of 10,000 tons over the total for 1951. Average grade of ore mined was slightly higher than that obtained last year, but decreases in price of metals throughout 1952 radically reduced total revenue and net income.

Ore reserves as of December 31, 1952, were estimated to contain 3,632,000 tons of assured and probable ore, a decrease of 245,000, as compared to reserve figures of December 31, 1951. During the year no development work or diamond drilling was carried out within the areas of probable ore to justify reclassification of tonnages in this category. There also remains a reserve of low-grade ore totalling 123,000 tons, which can be mined and treated as long as metal prices keep this type of ore within an economic bracket.

Mine development for the year totalled 9,003 ft, which compares closely with the 1951 total of 9,045 ft. A large part of the development work was done in the Rothermere ore-bodies, opening up areas for stoping, and driving No. 13 level towards R4 ore-body to permit further investigation and outlining of ore limits by diamond drilling. Both development and exploration phases will continue next year.

MONTMORENCY SHIPPING, LIMITED

This company operates a fleet of time chartered vessels for the freighting of the parent company's products to United States ports. It also carries bulk cargoes for other parties, largely as alternatives to ballast voyages. The shipping market slumped during the year with adverse effect on this outside business, but lower time charter rates will improve the parent company's delivery costs in 1953. The profit for 1952 has been carried forward in the books of the shipping company.

CONSOLIDATED POSITION

The consolidated profit, after depreciation and taxes, of $4,348,598 is equivalent to 79 cents per stock unit, compared with $8,227,382 or $1.50 per stock unit in the previous year. Your companies' fixed assets have been well maintained and the many improvements and additions will improve the group's earning capacity in the years to follow. Working capital has been maintained on a satisfactory level.

Once again I take pleasure in recording my appreciation of services loyally performed by officers, staff and employees throughout our organisation.

The report and accounts were adopted.

HIGHLANDS & LOWLANDS PARA RUBBER COMPANY, LIMITED

HEAVY TAXATION OF ESTATES

THE INDUSTRY'S SUCCESS IN HYGIENE AND WELFARE WORK

MR T. B. BARLOW ON MALAYAN SITUATION

The forty-seventh annual general meeting of the Highlands & Lowlands Para Rubber Company, Limited, will be held on May 27th, at Plantation House, Mincing Lane, London.

The following is the statement by the chairman, Mr T. B. Barlow, which was circulated with the report and accounts:

The accounts for 1952 carry with them a recommendation to pay a dividend of 10 per cent and a cash distribution of 2½ per cent, being a portion of the profit derived from the sales of land. This payment is not liable to income tax or surtax.

The year's working resulted in a profit of £242,800. The dividend of 10 per cent requires £25,800; tax reserve requires £95,000, and there has been transferred to replanting reserve £70,000 and to depreciation reserve £40,000, which leaves a carry-forward of £49,169.

Replanting reserve stands at almost £140,000, but our replanting programme with 2,690 acres in hand and a further 215 acres to be undertaken in 1953, is an indication of the necessity for a substantial reserve.

PROFITS AND COSTS

It is interesting to note that the profit derived from rubber was £108,000 as compared with £341,000 in 1951, and that from palm oil and palm kernels was £86,800 as compared with £84,300 in 1951, but these figures are exclusive of such necessary charges as provision for replanting and depreciation of buildings and machinery, and it is for this reason that £110,000 has been allocated to these reserves. The Rubber Growers' Association calculates that these items cost very nearly 4d. a lb on the basis of an annual yield of 400 lb per mature acre. In our case the calculation must of necessity be complicated by the dual cultivation and since we already have 48 per cent of our rubber replanted with high yielding trees the cost to us would probably work out at rather less.

Unfortunately special expenditure on account of the emergency was a serious charge costing £28,000 and that alone is more than stockholders receive by way of a 10 per cent dividend. Quit rents were raised to the maximum and export duty on rubber and palm oil amounted to £61,600 or nearly two and a half times as much as the 10 per cent dividend. But this has not prevented the company from continuing its high standard of welfare work for its labour.

Recently Mr C. R. Harrison attended a meeting of the International Labour Organisation held in Havana as the representative of the Rubber Growers' Association whom he also represents on the council of the Ross Institute. A most suitable appointment because he was a keen disciple and early colleague of Sir Malcolm Watson the great malariologist. Mr Harrison has been a leader in hygiene and welfare work for estate labour and he was appalled to find how backward the conditions are elsewhere.

AMENITIES FOR LABOURERS

We, the plantation owners claim to be the pioneers in the tropics in rural hygiene and sanitation. "Real wages" compare very favourably with agricultural workers the world over. The labourers pay no taxes and their basic needs are small. In addition, they are housed free in cottage type dwellings, fuel for cooking can be had for the trouble of collection from beneath the rubber trees, medical attention and, if necessary, hospital treatment is provided free to the labourer and his dependents, pre- and post-natal treatment is given to all women and working women get two months' full pay during the period of confinement. Communal wireless is laid on, estate villages are lighted with electricity, refuse disposal and a pure piped water supply are a charge on the estate. Sewerage disposal is by septic tanks, playing fields, drama halls, temples, schools, creches in which free milk is supplied, cattle grazing for labourers' herds and gardens are all provided by the company.

The health on estates is good and the vital statistics speak for themselves; on Highlands and Lowlands the 1952 death rate was: Labour 5.2, Dependents 14.0, and average for Malaya 75.02 per mile.

"IGNORANCE AND JEALOUSY"

Two simple facts emerge—(a) that Rubber Estates are heavily taxed, (b) that they are successful pioneers in tropical development and welfare work. The Malayan Government is said to be ignorant of the essential facts of the rubber industry. Great pressure is being brought to bear by some antagonistic journalists and educational leaders in Singapore for a fact-finding mission to inquire into the rubber industry. The only apparent reason for this campaign is ignorance on the part of its instigators and jealousy that the industry does not conform to their political ideals but has been brilliantly successful.

If estate companies, such as this, were not literally an open book or if Government lacked power to make inquiries through its health, labour or other officers, Sir Gerald Templer would have taken such power long ago. To press for a fact-finding mission now is a positive insult to His Excellency.

MALAYA'S NEED OF CAPITAL

Recently it was announced in Kuala Lumpur that Malaya needed more capital to develop its resources. All who know the country will agree with this and if the real object of the mission is to find out how to induce capital to go to Malaya it had better come to London and ask the Rubber Growers' Association, which includes survivors, successors and sons of the men who made the rubber industry.

For the last four years Malaya has suffered from banditry and communism, but at last the trouble has been checked and for this General Templer must be warmly thanked. He has re-established the prestige and authority of Government. It is noted with satisfaction that he has issued warnings against complacency, nor has he overlooked the danger that without continued firmness and justice the old racial strife, which was the reason the Malay rulers welcomed British help and guidance eighty years ago, may break out again.

We rely on a wise and strong Government, one of whose most important tasks must be the education of the Malays so that they can take their place with the other communities and thereby progress towards the ideal of a Malayan nation. There is proposed legislation, although strongly opposed in certain quarters, to make it compulsory for Malays to be employed in industry and trades. It is also significant that the wealthy, shrewd and powerful organisation, the Malayan Chinese Association, has offered Government the sum of $500,000 to assist in financing Malay trade centres. To sum up the Malayan position: the Government has its hands full as is to be expected in times of worldwide difficulty, but the outlook is better.

THE CURRENT YEAR

For the current year, 537,600 lb of rubber have been sold forward at 22.5d. per lb, and the palm oil is being sold in the open market. The present price is about £73 per ton c.i.f., so that unless rubber and palm oil rise in price or taxes fall, 1953 will show a further heavy decline in profits. But it may well be that if peace materialises in the Far East, countries which are now short of rubber will be able to buy, thus removing any surplus of production over consumption. If war continues, probably stock-piling will continue. In any case it is rumoured that America is about to raise the price of synthetic which would increase the demand and price of natural rubber. So that although the outlook is obscure there may be redeeming features later. In the meantime, every effort is being made to reduce costs.

Stockholders will wish to join with me in thanking the general manager, his staff and labour, together with the agents and visiting agent for the excellent work they have done.

ARMY & NAVY STORES, LIMITED

EXPANSION PLANS

The eighty-first annual general meeting of the Army & Navy Stores, Limited, was held on May 8th in London.

Commander S. C. Lyttelton, OBE, DSC, RN, chairman and managing director, in the course of his speech, said: In London net profits for the past three years have remained remarkably steady. The disappointment this year has been caused by the serious recession of trade in India. It is proposed to pay a dividend of 10 per cent, less tax.

There would appear to be an idea among some people that the day of the big departmental store is over. Your directors by no means hold this view, but have confidence in the future of your business provided that it moves with the times. We have felt for some time, however, that a store working from one point only in Central London is not, under modern conditions, in as good a position for successful trading as it would be with its business well spread over London, the suburbs and the provinces. We have definite plans. It is the intention to expand and develop your retail business here and elsewhere.

The removal of percentage price controls gives us freedom again to conduct the merchandise side of our business in our normal way; the reduction in purchase tax should benefit trading generally and the outlook is, on the whole, brighter than since 1950.

Owing to changed conditions, we have decided to dispose of our branches in Bombay and New Delhi.

The report was adopted.

UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

CHANGED CONDITIONS AFFECT PROFITS

The fortieth annual general meeting of the United Glass Bottle Manufacturers, Limited, will be held on June 18th in London.

The following are extracts from the statement by the chairman, Mr L. A. Elgood, OBE, MC, DL, JP, CA, circulated with the report and accounts for the year 1952:

The year that has passed since issue of my previous statement has been marked by the tendency of industry as a whole to reduce stocks with resultant greater sales resistance, whilst inflationary conditions have persisted. These circumstances have caused a check to the hopes which I previously expressed of marketing to the full the increase realised in our productive capacity, and have rendered unfavourable, comparison of our trading results for 1952 with the record and exceptional results recorded in 1951.

The reduction in the group trading profit is due mainly to the following causes: (1) In January, 1951, and again in the month of May of that year, we were compelled by the incidence of ever-increasing costs to advance the selling price of glass containers, but no subsequent selling price adjustment was made until August, 1952, despite the continued and severe advance in costs in the intervening period; (2) The general change to more difficult trading conditions which developed early in 1952 resulted in a reduced demand in the home market for glass containers and closures, and the intensity of competition in export markets increased; and (3) Profit margins were drastically reduced by these events.

Notwithstanding these adverse conditions, the group trading profit of £861,473, although substantially less than the record profit earned in 1951, came within the range of earnings of the other postwar years.

TAXATION AND PRICES

I have previously stated that your company's policy is to maintain the glass container as the cheapest form of package for its many uses. To this end there is constant improvement of method of manufacture and handling of goods introduced in our factories and warehouses. However, the incidence of taxation at present levels and continuing advances in prices of coal, soda ash, stores and services impede our efforts to stabilise prices. Only reluctantly, and then to the minimum extent, shall we further increase our selling prices. In consequence of our continuing policy of modernisation and further mechanisation our annual provision for depreciation continues to increase and this year totals £407,720.

The total charge of taxation on profit for the year, £515,986, represents 60 per cent of the group trading profit and includes £2,500 liability to excess profits levy incurred by a subsidiary company. A refund of taxation relating to previous years and amounting to £20,000 results from the liquidation of certain of the subsidiary companies.

DIVIDEND AGAIN 17½ PER CENT

From the net group profit, £367,687, is deducted the minority interest in profits of a subsidiary company which, at £24,215, compared with £44,708 in 1951, reflects the reduced earnings of the company. The holding company profit for the year, £316,042, compared with £544,559 in 1951.

The directors have appropriated £152,471 to general reserve and £30,000 to staff benevolent account. The dividend on the preference stock for the year absorbed £47,303. Despite the contraction in profits the directors recommend a final distribution on the ordinary stock of 10 per cent, less income tax, which, with the interim dividend already paid, makes a total distribution for the year of 17½ per cent, less income tax, as paid for the two preceding years.

Accordingly there remains a balance at credit of profit and loss account of £302,243 to carry forward, compared with £321,394 at the close of 1951.

The balance-sheet and consolidated balance-sheet show further substantial additions to fixed and current assets. Deliveries of capital equipment speeded up during the year, with the result that outstanding contracts for capital expenditure at the close of 1952 were considerably less than at the close of 1951. The quicker rate of delivery applied also to stocks and stores, the level of holdings of which are under constant review. Balances in banks and cash in hand are increased, but the larger part of the proceeds of the unsecured loan stock issue was immediately employed in financing other assets.

A regrouping of the revenue reserves has been carried out by the merging in general reserve of those formerly under the separate headings of contingency, stocks and stores, plant replacement, and research expenditure, factory and office improvements. With a further appropriation from profits this year, the general reserve of the company is therefore now at a level of £2,150,000 and that for the group at £2,244,947.

EXPORTS

At the time last year I made reference to the need for the accelerated handling of exports and a reduction in the cost of export. At the time a ports' efficiency committee had only recently been set up to consider ways and means of ensuring a quicker flow of traffic through the ports of the United Kingdom once goods were assembled for shipping. From the point of view of speed, an over-all decline in the volume of exports has resulted in delays in despatch being so reduced that in the main goods, once ready, are now *en route* as quickly as was the case before the war. With the future in mind, these changed marketing conditions do not lessen the original purpose of the ports' efficiency committee.

The cost of exporting from our factories to overseas ports, however, does in no way compare with prewar charges, and for the maintenance of export trade this is an alarming condition. Not only are we faced with the full blast of competition from Western Europe, but also severe competition from the new or growing glass industries established within those countries to which we have regularly shipped in the past. Within the past year such local production has been aided by payments difficulties, a shortage of sterling resulting in the substantial curtailment of your company's traffic with such traditional markets as Australia, New Zealand, and South Africa.

Nevertheless, your company's export sales in 1952 were well maintained when compared with the record figures achieved in 1951. The outlook in the present year is not so favourable, but it is to be hoped that some measure of goodwill has been earned with our many customers overseas if only because of a steady and substantial diversion of production abroad throughout those years of acute shortage which, until recently, has prevailed since 1939.

BLAW KNOX

SUBSTANTIAL VOLUME OF ORDERS IN HAND

The annual general meeting of Blaw Knox Limited was held on May 14th in London, Sir Geoffrey Burton (the chairman) presiding.

The following is an extract from his circulated statement:

I must first of all refer to the great loss your company sustained last year by the death of Mr J. Theodore Goddard. Mr Goddard had been chairman of the company since its inception in 1921, and under his able guidance the company prospered and steadily expanded. Only a few weeks ago your company suffered a further loss through the death of another distinguished colleague—Sir Louis Greig. Both these gentlemen served your company loyally and unselfishly.

Referring to the balance sheet, fixed assets have increased by £31,000 and stock by £24,000, but cash and tax reserve certificates are lower by £126,600. This reduction in our cash resources is the direct result of increased turnover which has steadily improved over the last five years.

TRADING RESULTS AND POSITION

Trading profit is slightly up on last year and after providing for taxation of every kind the surplus available for appropriation is increased from £121,000 to £168,000. We have allocated £100,000 to general reserve and, subject to your approval of the final dividend, the carry forward of £290,000 will show an increase of £30,000.

Dealing with our trading position, new orders in all departments continued at a substantial level, although at a lower volume than for the previous year. We carry forward £5 million of uncompleted business which, in the present circumstances of contracting demand and consequently more competitive conditions, is a favourable factor.

The Tower Department has had a satisfactory year, but has been handicapped by shortage of steel. In addition to important contracts for high-voltage lines for the British Electricity Authority, we have during the year obtained orders for delivery to Uganda, Venezuela, New Zealand, and India. Our problem now is to meet world competition, which is increasing.

In other departments, too, considerable orders have been received, although there was some falling off towards the end of the year. There has been a slight improvement in the supply of materials. If this improvement is sustained a higher rate of production in our factories should be possible. An increase in turnover is essential, as it is necessary to reduce prices to meet competition both at home and abroad, and production costs have shown no reduction—rather the reverse.

Since the introduction of the B.K.12 Motor Grader and the "B.K.-Fifty" Excavator, orders for these new products to the value of over £3 million have been placed with your company, which I am sure you will agree is good evidence of their wide acceptance throughout the world and the progress that has been made. The company's policy of expenditure on research and development has been continued and a new motor grader, to be known as the B.K.10, is about to be introduced. The present position is therefore satisfactory, but our future prospects must be viewed with caution in the light of present trends in world trade.

The report was adopted and the dividend of 30 per cent for the year was approved.

POOL, LORRIMER & TABBERER, LIMITED

INCREASED TRADING PROFIT

The twenty-eighth annual general meeting of this company was held on May 14th, at Leicester, Mr W. J. Lorrimer, chairman and managing director, presiding.

The following are extracts from his circulated statement:

The profit on trading before taxation for 1952 has increased to £97,143, as compared with £64,290 for 1951.

Taxation for the year was 65 per cent of the company's income and at £63,000 compares with £38,000 last year, leaving a profit after taxation of £34,143, against £26,290. After adding two taxation adjustments and deducting the preference dividend and the interim ordinary dividend, there is an amount of £24,814 available for appropriation. Your directors recommend the payment of a final dividend on the ordinary stock of 15 per cent, less income tax, making 30 per cent for the year, leaving £16,939 to be added to the profits carried forward. The dividend on the ordinary stock for the year requires £15,750 net and is covered twice by earnings available for the ordinary stockholders.

BALANCE SHEET FIGURES

Regarding the balance sheet, the outstanding feature is the big improvement in our liquid position, net current assets having increased by £58,798 to £369,642. Stocks have been reduced from £531,663 to £305,425 and an overdraft of £93,475 has been replaced by cash balances of £103,205, while our creditors have also been reduced by some £30,000. Current liabilities are now covered over four times.

1952 has been a period of considerable difficulty following the 1951 collapse in prices of our main raw materials, wool and cotton, and aggravated by the reluctance of our customers to place their normal autumn requirements in the early part of the year. Wool, however, strengthened from its lowest point during the first week in April to a peak towards the end of July but then fell again at the opening of the sales for three weeks in September, only to recover by Christmas to a similar price to that ruling at the close of 1951. Our spinning mill and knitting plants were working at a very reduced capacity for the first nine months, but I am pleased to say that since that time full production has been restored and is being maintained.

Our export sales, although still high fell by £192,000 through the closing of world markets brought about by import licensing restrictions.

FULL ORDER BOOKS

Our order books for 1953 are now full for several months to come; a very different position from that obtaining at the same time in 1952.

All last year our high speed warp knitting plant was working overtime, but unfortunately this year we shall be affected by the serious cut in our nylon allocation, which is unlikely to improve until 1954, when it is anticipated nylon will become available in much larger quantities.

Your directors have under active consideration the recommendation of an increase in the authorised capital of the company with a view to making a bonus issue of ordinary stock, in order to bring the issued capital more into line with the actual capital employed in the business. I hope to lay before you proposals to give effect to this during the current year.

The report and accounts were adopted.

THE MILFORD DOCKS COMPANY

NO OFFER RECEIVED FOR STOCK

The seventy-eighth annual general meeting of The Milford Docks Company was held on May 13th in London.

Sir Felix J. C. Pole, the chairman, in the course of his speech, said: Last year I forecast some improvement in our position. There was improvement, but the tonnage of vessels entering the port was 18,600 tons below that of the previous year, due to trawlers being laid up owing to poor catches and the high operating costs. The quantity of fish landed was 30,127 tons—a decrease of 3,738 tons, compared with the previous year. I am pleased to say that the cargoes handled increased by almost 9,000 tons. Oil tonnage was down by 10,522 tons.

The gross profit for the year was £28,317—a reduction of £2,754. The income, however, was only £1,297 below that of 1951. Receipts from the hire of the dredger were substantially less, but this reduction was offset by the increased income from the cargo trade, particularly explosive traffic.

Every effort has been made to keep expenditure down to the minimum. We have set aside £2,177 more for depreciation and, therefore, our operating expenditure is less by approximately £4,100, which can be regarded as satisfactory.

The net profit, inclusive of taxation provisions of £4,128 made in previous years and not now required, increased by £1,099 to £13,411. The directors recommend a dividend of 3½ per cent, less tax, which will leave £6,747 to be carried forward.

Application has been made in this session of Parliament for a Bill to make permanent the authority for increased charges now sanctioned under the Defence Regulations, and to consolidate and modernise previous Acts. The Bill has passed the House of Commons and House of Lords and received the Royal Assent last Wednesday.

NO NEGOTIATIONS

Doubtless, however, stockholders are more interested in the extraordinary dealings that have been taking place in our stock than in the statement of last year's accounts. From the first I made it clear in response to inquiries that the directors were neither engaged in negotiations nor had they been approached.

On April 16th the following official statement was issued to the press:

"The directors of The Milford Docks Company state that they have received no offer for the stock of the company, nor is the company engaged in any negotiations outside the normal course of business. An official announcement will be made if at any time it seems necessary to protect the interests of existing stockholders."

Your directors are quite aware that the potentialities of Milford seem to have attracted attention in some quarters, and it is possible that certain suggestions for developing the dry dock have become known. I must make it quite clear that your board will not deal except with a principal or an authorised agent of a known principal.

We have only today received a new request for facilities to make detailed investigations and surveys in connection with enlarging and developing the dry dock. It would not be fair to read into this more than it says at this stage, but the continued interest of ship-repairers and shipowners in this project is most interesting.

The report was adopted.

MANGANESE BRONZE AND BRASS

RESULTS AN ALL-TIME RECORD

The fifty-fourth ordinary annual general meeting of the Manganese Bronze and Brass Company, Limited, was held on April 7th in London, Mr J. C. Colquhoun, MBE (chairman and managing director), presiding.

The following is an extract from his circulated statement: Output and earnings again continued at a high level. The profit for the year of £439,029 before providing for taxation and dividends, and after charging £80,680 for depreciation is an all-time record for this company. The comparable profit figure for the previous year was £327,292 after charging depreciation of £82,926. Provision for taxation amounts to £303,000 against £200,000 for the previous year. The cumulative effect of the changes in taxation introduced in last year's budget is to leave us with an increase in net earnings of £8,737 after an increase in profit before taxation of £111,737.

Your directors recommend that a final dividend of 7d. per share be paid on the ordinary shares, making 9d. per share for the year (same), plus a bonus of 1½d. per share (making a total of 10½d. for the year). If approved the surplus remaining for the year after payment of preference and ordinary dividends will amount to £92,312 against £89,535 for the previous year.

MARINE PROPELLER ACTIVITIES

The tonnage of propellers made and on order in our new nickel-aluminium-bronze alloy "Nikalium" has steadily increased and over 20 of the most prominent home and foreign shipping companies now have propellers of this material, many having placed repeat orders. Our design department continues to give valuable advice to our customers on all problems connected with propellers and an increasing number make the fullest use of our service by specifying "Scimitar" propellers on their orders to builders.

At your Handford works at Ipswich the volume of orders in hand, though not so large as a year ago, continues to give satisfaction, especially for all alloys for heat-resistance and other special requirements. Steady progress has been made in the production methods for such materials, while the laboratory is carrying out continual research on improvements in composition and metallurgical properties, with the result that we have maintained our premier position for the supply of such material now used to so large an extent in high-speed aircraft and for rearmament purposes. Despite a marked decrease in the orders for commercial materials, the works were able to maintain a high rate of output.

At your Elton Park, Ipswich factory, devoted entirely to products made from metal powders, the substantial improvement in trading reported a year ago was not sustained in the last few months of 1952, and this business is experiencing a definite recession at the moment bound up with the limitations in the export market. Nevertheless, the technical staff have in the meantime developed a number of new materials, chiefly iron and ferrous alloys, for which the sales organisation has found new outlets, so that once trade recovers from the present recession we believe that the previous output will be attained and possibly exceeded.

In regard to the prospects for the current year, we must be prepared, at least in certain sections of your business, for a reduction in output and a consequent reduction in earnings.

The report was adopted.

CROFTS ENGINEERS (HOLDINGS)

EXCELLENT PROGRESS

SIR ARTHUR CROFT ON OVERSEAS INTERESTS

The fifth annual general meeting of Crofts Engineers (Holdings), Limited, was held on May 8th at Bradford, Sir Arthur Croft (chairman and managing director) presiding.

The following is an extract from his circulated statement:

You will note from the accounts the excellent progress made by your company; the profits have increased to a record figure, but as these have been made with a considerably increased turnover, it will be realised that the increased profits have been secured on a reduced profit margin.

The trading profit for the year amounts to £661,476, against the previous year's figure of £630,707. Taxation again takes the major share of our profits, and you will note that an amount of £387,565 has been reserved for this purpose, leaving £273,911, which represents the net profit of the company and its subsidiaries.

Of the total amount retained in the accounts of the subsidiaries there has been transferred to general reserve a sum of £145,000, and a further amount of £25,000 has been allocated to stock reserve.

The directors propose a final dividend of 25 per cent on the ordinary shares absorbing £52,500, making a total distribution of 40 per cent, less income tax, for the year.

The fixed assets of the company have increased by £80,023, and the balance sheet reflects the strong financial position of the company.

PROSPECTS

Our order book at the end of 1952 was only slightly less than at the beginning of the year. In recent months there has been a slight falling off in the influx of orders, also trading conditions have become more difficult, so I would not like to attempt to forecast how matters will go. I can say, however, that we are intensifying our efforts to secure trade, and hope by this means to keep up our turnover and profits.

In general, we find that raw materials are now in better supply, but we still have difficulties in meeting our full requirements of rolled steel plate, bars, forgings, etc. It is hoped in the near future this difficulty will be overcome.

For the last three years only have we been able to concentrate again on building up a direct export trade and I am pleased to be able to report good progress. We have established our own branches where advisable, also appointed agents and representatives elsewhere. When these all get fully working we are hopeful of obtaining the maximum value of orders from overseas.

Canadian Subsidiaries—Crofts Canada, Limited, has had another successful year's trading, although it has not yet come up to expectations. Britenco, Limited, Canada, for the first time has made a profit, and it is hoped that the reorganisations effected in the selling and administration arrangements of these two companies, following my visit to Canada, will result in increasing their progress.

South African Subsidiary—on my recent visit I found the business had progressed at a much greater rate than anticipated, the turnover target had been surpassed and the profit earned was very satisfactory.

The extensions mentioned last year are completed and in use, and when the new machinery on order is delivered, the final target output set for this company should be reached.

The report was adopted.

JOHNSON & PHILLIPS

The forty-eighth annual general meeting of Johnson & Phillips, Limited, was held on May 14th in London.

Mr G. Leslie Wates, JP, CompIEE, chairman and joint managing director, in the course of his speech, said: Although the balance from trading account has not reached the high-water figure of the previous year, it is, at £706,365, the second highest in the history of the company and is higher than the average of the last three years, including the exceptional year 1951.

We have transferred to the revenue reserve £100,000; to research and development £30,000 and to dividend equalisation £25,000, leaving £154,313 to be carried forward to next year, substantially the same figure as that brought in. The balance-sheet shows that with these additions the general reserve now amounts to £500,000, a satisfactory figure; the research and development reserve exceeds £100,000, and the dividend equalisation reserve amounts to £125,000. In addition to these reserves, the capital reserve of £1,333,750 remains the same as last year.

The board are satisfied that the time has now arrived when we can properly and profitably employ a further £500,000 in the business, and accordingly provisional allotment letters in respect of 333,437 ordinary shares issued at 30s. each were sent to ordinary shareholders with the directors' report and the notice convening this meeting.

This company has for the last forty years always raised its new ordinary share capital from amongst its then existing shareholders so that such shareholders receive the entire benefits arising from each issue. We have followed the same procedure this time and shareholders will, I think, be satisfied that the benefit we offer in making the issue of shares at 30s. is a very real one.

The report and accounts were adopted.

ILLUSTRATED NEWSPAPERS

INCREASED TURNOVER

The twenty-seventh annual general meeting of Illustrated Newspapers Limited was held on May 14th in London.

Major H. Davenport Price, MC, JP (the chairman), presided and in the course of his speech said:

The trading profit of the group totals £515,827, showing a decrease of £85,000 odd on the previous year. Dividends and interest and the surplus arising from a war damage claim, bring the gross profit up to £534,401. Taxation accounts for no less than £267,837, and after deducting the proportion of profits attributable to outside shareholders of subsidiary companies, there remains a net profit for the year attributable to Illustrated Newspapers of £181,748.

Current assets exceed current liabilities by £1,084,601, which shows a strong liquid position.

Although the gross trading profit for the group is lower, the turnover has been higher than in the previous year. This is a reflection of the more severe competition now prevailing in the printing and publishing trades, and the narrowing of profit margins. There has, I am glad to say, been a tendency for the price of paper to fall, and I am hoping we shall feel some benefit from this in the current year. On the other hand, wages have continued to rise in step with the cost of living index.

The high standard of production of our publications has ben maintained and in the portrayal of the great events of Coronation year we are having an unprecedented demand for our journals. Our trade papers, *The Drapers' Record* and *Men's Wear*, have had a record year.

The report was adopted.

THE EVER READY COMPANY (GREAT BRITAIN) LIMITED

MANUFACTURERS OF DRY BATTERIES

MR E. N. ROWBOTHAM'S STATEMENT

The annual general meeting of The Ever Ready Company (Great Britain) Limited will be held on Thursday, June 4, 1953, at the head office, Hercules Place, Holloway, London, N.7.

The following is the statement of the chairman, Mr E. N. Rowbotham, which has been circulated with the report and accounts for the year ended February 28, 1953:

As you will see from the accounts the net profit for the year ended February 28, 1953, before taxation, slightly exceeds the profit of the previous year.

EXPORT AND HOME SALES

During the year difficulties regarding tariffs, import quotas, foreign exchange, etc., have resulted in some diminution of last year's record export turnover, although export sales were substantially above the figure for the year ended February 28, 1951. We are expanding and reinforcing our overseas sales organisation and provided we can overcome the difficulties to which I have referred we feel confident that our sales will again expand. Certainly the figures for the current year to date are encouraging.

Home sales also showed a slight recession due mainly to the fact that with the change-over from a sellers' to a buyers' market many of our customers reduced their stocks in the early part of the year. Fortunately, towards the end of the financial year we have benefited by substantial reductions in the cost of many of our principal raw materials which have enabled us to maintain our profits.

The reductions in cost of basic raw materials should produce considerable benefits to the company during the coming year.

REDUCTIONS IN SELLING PRICES

It has always been the opinion of your directors that high prices for our products, however justified by high costs, operate to the disadvantage of our business and tend to restrict its development, and I am particularly happy to inform you that following upon the reductions in the prices of our raw materials we reduced the prices of all radio batteries to consumers by 10 per cent on March 16, 1953. We shall continue our endeavours to reduce costs of manufacture by efficient and economic mass production methods so as to be able to offer to our customers, both at home and abroad, a first-class product at a fair and attractive price.

It is gratifying that after some years of representations the Chancellor of the Exchequer has removed the purchase tax on radio batteries—a tax which has always been unfair to the battery set user. None of your

npany's batteries is now subject to purse tax.

These two substantial concessions to conmers, together with the reduction in rchase tax on the company's "Alldry" dio receivers should stimulate the demand r our products.

STRONG FINANCIAL POSITION

The consolidated balance sheet shows that ie company's financial position remains strong. The surplus of current assets over current and deferred liabilities has increased from £805,914 to £847,191. Owing to the easier supply position which now obtains we have been able to make a considerable reduction in our stock-in-trade from £1,719,202 to £1,340,931, and this has favourably affected the figure of creditors which is reduced from £1,365,274 to £1,007,103. Debtors have increased from £676,790 to £814,478, entirely due to exchange restrictions which have delayed the payments from export customers. These outstanding debtors are covered by the export credits guarantee department.

After providing for taxation and dividends at the same rate as last year, we have allocated £130,000 to reserves and the carry forward has been increased to £149,866.

Staff.—I should like to express my appreciation to all the members of the Ever Ready organisation for the efforts which they have made during the year which have contributed in no small measure to the satisfactory results achieved.

VICTORIA UNIVERSITY COLLEGE
WELLINGTON, NEW ZEALAND
School of Social Science

The Council of Victoria University College proposes shortly to appoint a Supervisor of practical training with the status of Senior Lecturer in the School of Social Science, and invites applications from suitably qualified persons for this post.

The Senior Lecturer will be required to lecture in the theory and practice of social work with particular reference to case-work; to make suitable arrangements for and to supervise the practical training of students, and generally to assist the Head of the School with the administration of the department.

Applicants should hold a recognised qualification in social studies or social science and must have had experience as social workers. Knowledge of modern methods of casework theory and practice is essential and experience in the practical training of students is desirable.

Salary: The salary will be £1,000 per annum, rising by annual increments of £50 to £1,200 per annum. The initial salary will be determined according to the qualifications and experience of the appointee. Allowance is made for travelling and removal expenses. Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1. The closing date for the receipt of applications in London and New Zealand is June 30, 1953.

UNIVERSITY OF NATAL
SOUTH AFRICA

Applications are invited for:
(a) a Professorship, and
(b) a Senior Lectureship,
in the Department of History and Political Science, Pietermaritzburg.

The present salary scales, which are expected to be shortly increased, are:
Professor: Men £850 x £30—£1,180 x £20—£1,200.
Women £600 x £25—£900.
Senior Lecturer: Men £600 x £25—£900.
Women £550 x £25—£725.

In addition, cost of living allowances of £320 p.a. for married and £100 p.a. for single officers are paid. Commencing salary will depend on qualifications and experience.

Further details and information as to method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1. Closing date for the receipt of applications is August 15, 1953.

ORMOND COLLEGE, UNIVERSITY OF MELBOURNE
AUSTRALIA

Applications are invited for the office of Master (i.e., Head of the College).

Salary: £A1,575—£A1,775, according to qualifications and experience, together with superannuation and other benefits.

Full particulars and Paper of Information are obtainable from the Chairman, Ormond College Council, Ormond College, Melbourne, N.3, Victoria, Australia, or from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications is July 31, 1953.

WOMAN Graduate in Economics or Commerce sought for post of Marketing Assistant to Sales Director. The work will be at Head Office, St. Albans. Ability to handle and interpret figures more important than previous experience.—Full details of career and salary required to be addressed, in writing, to the Sales Director, L. Rose and Co., Ltd., Grosvenor Road, St. Albans.

DEPUTY to the Secretary of the company's pension funds required by large industrial organisation at the head office in London. Qualified accountant or Chartered Secretary, approximate age 35-40. Knowledge of pension fund matters desirable. Minimum salary £1,350.—Write, giving details of age, qualifications, etc., to Box N.8756, A.K. Advg., 212a Shaftesbury Ave., W.C.2.

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ACCOUNTANT, 25/35, wanted as personal assistant to the directors of an advertising agency. Knowledge of advertising not essential as his duties will be chiefly concerned with administration, and accounts. Prospects of secretaryship for the right man.—Please write giving details of qualifications, experience and salary required, to Mr. R. Plummer, 55/61 Moorgate, E.C.2.

TYPOGRAPHER (woman), National Diploma, well-educated, keen, intelligent, requires post in advertising or publishing firm.—Box 248.

ARE you interested in—Housing—Agriculture—Transport—Economics—Exports—or Shipping? If so, you will also be interested in our fortnightly Parliamentary Reports on these subjects. Trial 3 months' subscription 10s. 6d.—Industrial Advisory Bureau, 12 Buckingham Street, London, W.C.2.

QUALIFIED ACCOUNTANT, wide financial experience, combined with marked organising ability, desires progressive appointment with organisation of repute. Commencing salary £1,200-£1,500.—Box 247.

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A vacancy occurs unexpectedly in the post of Manager of this newly formed Bank (incorporated in the Gold Coast by Ordinance) and offers, for a suitable retired banker with overseas experience, a share in an interesting and constructive task. A three-year contract is contemplated in the first instance (terminable at three months' notice on either side) on the following terms:—

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Two months' leave a year on full pay, with air passages provided for self and wife.

Applications, giving full details of experience, age, etc., should be addressed to: The Managing Director, Bank of the Gold Coast, c/o Commissioner for the Gold Coast, Melbourne House, Aldwych, London, W.C.2.

Candidates will be interviewed in London during the month of June.

UNIVERSITY COLLEGE—CANBERRA
AUSTRALIA

Applications are invited for appointment to the post of LECTURER IN ECONOMICS

Salary £A650—£1,050 p.a., plus cost of living allowance (at present £A180 p.a.). Annual increments of £A40.

Further particulars, conditions of appointment, and the summary form which must accompany applications may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1, or from the undersigned.

Applications close June 6, 1953.

T. M. OWEN, Registrar, Canberra University College, Canberra, A.C.T., Australia.

OPPORTUNITIES IN AMERICA FOR ENGINEERS

Westinghouse Electric Corporation, the first company in the United States to design and produce a jet engine, is enlarging the engineering force of its Aviation Gas Turbine Division.

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Applications, giving full particulars as to qualifications, etc., should be addressed to Mr. Geo. R. Northrup, Westinghouse Electric International Company, 1-3 Regent Street, London, S.W.1. Interviews will be arranged in Britain.

OPPORTUNITIES IN THE UNITED STATES FOR ELECTRONIC ENGINEERS

The Westinghouse Electric Corporation, a very progressive organisation, has in its Electronic Division a number of attractive positions open for Engineers with professional standing in either the Institution of Electrical Engineers or the Institution of Radio Engineers.

Applicants for these positions should have at least three years experience in design or development in one of the following fields of activity:

Circuitry	Telephone Equipment
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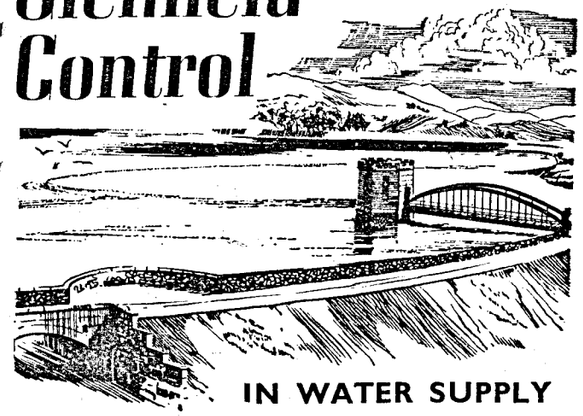
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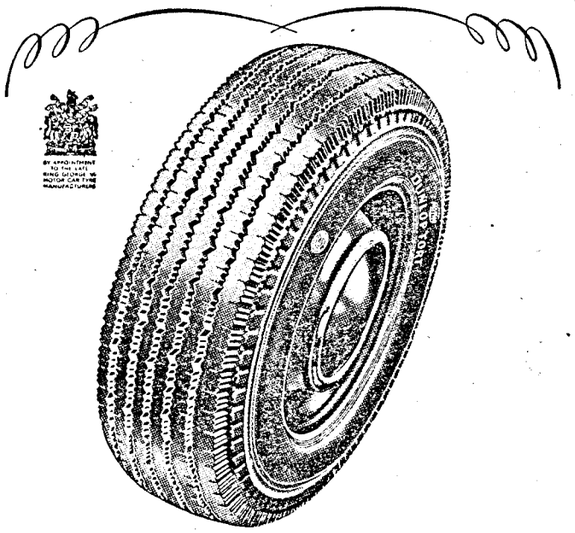
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The Economist

FOUNDED 1843

MAY 23. 1953

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Five Months or Thirty?

THE Government's two major Bills, denationalising steel and road transport, have been completed before the Coronation, and Parliament will return next month to a new political situation. The Government needs a new legislative programme. It cannot, however, settle a programme without facing another question. During the next few months, Sir Winston Churchill and his ministers will decide whether or not to put themselves to the issue of a general election in the autumn. With the by-election victory at Sunderland behind them, this decision can be made by weighing the relative advantages of the alternatives; for once, the choice is not of the lesser evil but of the more profitable course. It is not, however, on that account less difficult or less important. It requires frank discussion in the interest not of party but of the country.

Some Conservatives do not believe that, in these terms, the issue arises at all. They were elected, the argument runs, to give the country five years of sound administration; they have proved able to do so in spite of the narrowness of their majority in Parliament; and they therefore have no good reason to lay down the job before its allotted term. To inflict a general election on the public this autumn—the third election in less than four years—would be an attempt to snatch a party advantage; it would be the more severely condemned by the electors, some Conservatives say, because it would look like cashing in on the Coronation. The argument reflects a creditable sense of responsibility, even if it also owes some of its force to the common inertia of politicians in power. But it exaggerates the importance that the Coronation will retain in most people's minds by October, and politically it is not well founded. It overlooks the fact that the Conservatives were elected with a narrow programme as well as a narrow majority.

The people who returned a Conservative Government in 1951 expected it to lighten the burdens of taxation, rationing and controls, to denationalise steel and transport, and to pull the country through the dollar crisis of that winter. In these things, a fair measure of success can now be claimed. But the last election was fought in a mood in which few people on either side looked far ahead. It was a culmination of the controversies of the previous six years. The only different issue it introduced was that of "warmongering," and nothing could since have proved to be more demonstrably false and flat. The election campaign therefore provided no definite pointer to Conservative policy beyond the stage that has now been reached. Quiet administration, however excellent in principle, is plainly unsatisfactory as a detailed prescription. The needs of the country cannot, indeed, be expressed in grandiose legislation. But all legislation is not of the architectural character of 1945-50; the spring-cleaning kind is no less difficult, and it is urgently needed. The Government has no definite programme, endorsed by popular vote, for it. This does not mean that the Conservatives are morally obliged to seek

a new vote of confidence for new measures. The British parliamentary system does not confine governments to specific mandates. A realistic programme for the next two years can be based firmly on the general principles that the Conservative party has expounded in recent years, and which may fairly be taken to command democratic approval. But the question is whether such a programme can be vigorously undertaken by a government with only a slender majority, without a specific mandate, and with two years of its term already gone.

The necessary spring-cleaning will be a long job. It requires, for example, a thorough recasting of the taxation system, in order to make taxes less deterrent to saving, hard work, investment and risk-taking ; these reforms cannot be undertaken until the next budget (before which, presumably, the Royal Commission will have reported) but they certainly must begin then if this Government is to undertake them at all. Secondly, more liberal—but realistic—policies for foreign trade and exchanges have to be worked out. Thirdly, the policy of letting prices work in the domestic economy should be taken very much further. That involves removing such distortions as the remaining food subsidies and the housing subsidies ; it means relaxing controls in order to make rents more realistic ; and it requires also a genuine attack on monopoly and other restrictive practices. The promised policy for more freedom in agriculture has still to be devised and applied. The final, and perhaps the most difficult, stages of derationing for the domestic consumer also remain. The whole problem of local government areas, powers and finance urgently calls for radical reform ; so also do many aspects both of organisation and of policy in the social services and in the nationalised industries.

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These are only some of the things that should be done within a coherent programme for the recuperation of Britain. Many are complex, all are controversial, and few are likely to bring any immediate rewards in political popularity. If the Government once sets its hand to such a task, there can be no breaking off part way. Ministers who are raising rents, upsetting vested interests in local government and defying the National Farmers' Union may in the end hold the hearts of the voters ; but during the process there will be many times when they are very badly placed to fight an election. Once the programme is undertaken, Conservative politicians will have to put out of their heads ideas of seizing on external circumstances favourable for an election—after a settlement in Germany, or before a threatened recession. If the Government sets out to do in this Parliament the things that now need doing, it should be determined to go through, if it possibly can, until the autumn of 1955 or the spring of 1956.

That, on a majority of eighteen, is a formidable undertaking. It can be done, as the past eighteen months have shown, but only by a stricter party discipline than is good for democratic government. It means suppressing political private enterprise and it is likely to lower the quality of politics ; many able men are losing interest when they are required to be so constantly at Westminster. Senior ministers should not be blind to the danger of draining ability and experience from the next generation of politicians.

The cost may, nevertheless, be worth paying ; to settle down to two years or more of comprehensive spring-cleaning and reforming may be the wise and patriotic course for Sir Winston Churchill's Government. But there is one—though only one—entirely honourable alternative. A general election this autumn would be a legitimate appeal for a bigger majority with which to carry out a new programme, a programme requiring more than the remaining life of this Parliament. Political action cannot always fit into a four-year or five-year pattern. The Conservatives have discharged their responsibility quite as far as people were looking ahead in 1951. They also have good reason to believe that the electorate would have given them a bigger majority if it had not been distracted by the warmongering charge. Now that the charge has proved to be beside the point, the Conservatives can properly ask for a new decision on new evidence. They are also, of course, anxious to be judged on what they have done before a recession or a new dollar crisis upsets the applecart. In both respects, Mr Attlee provided a clear precedent in 1951.

Sir Winston Churchill, like Mr Attlee two years ago, cannot make a firm decision before the holidays. There can be an autumn election only if the issues between the parties take, by the end of the summer, a form sufficiently concrete for election campaigning. That, however, will probably happen if either side wants it. The Government's task when Parliament has reassembled after the Coronation will be to weigh fully the two alternatives likely to be open to it in the autumn. It can prepare a political programme for four years, on which to fight a general election. Or it can prepare a legislative and administrative programme on which to govern for two years, a programme it will stick to until 1955 or 1956 even if it has to endure in 1954 such a shock as an American recession. Either of these courses would be reasonable. The third possible choice—to delay a decision—is not. It would mean waiting to see what the economic situation looks like at the end of the winter, and doing nothing much in the meantime. The modern world is not a place in which it often pays politicians to rest content with their laurels and wait for something to turn up or to fall down. And party interests apart, a winter's delay in policy-making certainly will not match either the economic or the political needs of a country whose prosperity and security are still so unsurely based. Sir Winston Churchill may appeal to the country in five months' time or he may settle his government down for another thirty months ; but he should not look for an opportunity in between.

Hard Choice for Europe

WHILE Britain prepares to bask in the sentiment of Commonwealth unity diffused by the Coronation, Europe moves towards a crisis in its effort to win unity. It is a strange and a sad coincidence that the year in which events must enhance so much Britain's feeling of responsibility and opportunity outside Europe should be the year in which Western Europe has virtually to choose between new forms and old ways. For it would be so much easier, say the Europeans, to choose unity if Britain would make the choice at their side ; and there are many among them who now bitterly regret that unity has been conceived in the form of closely defined institutions and tight commitments such as no member of a loosely-knit Commonwealth could accept. It is a pity, too, that the integration of the Germans in Western Europe—an end good in itself—has come to be regarded mainly as a way of rearming them and countering the blandishments that the Russians could so easily offer to Germany. It means that a policy of understanding with Moscow and a policy of uniting Western Europe are now regarded by many as conflicting and mutually exclusive purposes. If it is British policy to achieve both these aims simultaneously, as Sir Winston Churchill seemed to imply in his speech last week, then an enormous task of statesmanship lies ahead of him.

The outlook for European unity is gravely confused and uncertain. Much of the zest and idealism behind the conception have been quenched by practical difficulties. Weak French governments have made virtually no progress in recommending the European Defence Community to the people and its legislators. Instead, a new and vigorous sense of national identity and imperial prowess has been stimulated by the arguments used among Frenchmen against the EDC. M. Mayer's cabinet could easily fall before the month is out ; and about the future in Paris one thing alone is certain—that M. Schumann will not return to complete the foreign policy he started. The odds are that the treaty for the Defence Community will not come before the Assembly until the autumn ; and even then its fate will be uncertain. By the autumn, however, German elections will have taken place ; and in Bonn one of two things is likely to happen. Either Dr Adenauer and a coalition government will survive to continue their European policy ; or an alternative government, led by the Social Democrats, will wish to modify—even of it does not annul—the treaties giving Western Germany its independence and setting up the EDC. Those treaties have been provisionally approved by the Upper House in Bonn ; and the French have now lost the important advantage of being able to say "after you, please." Instead, the German Chancellor, thanks to his successful visits to the United States and this country, and to his deftness and determination at home, now stands pre-eminent in the movement to unite Europe.

That fact is doubtless regretted by many Frenchmen, in spite of the satisfactory relations that Dr Adenauer claims to have established with M. Bidault. They see in it a foretaste of what might eventually happen in the proposed defence community and in other institutions of a federal Europe. They fear the domination of Germany *tête-à-tête* with France especially if the western and eastern zones were re-united. These are forebodings that are well understood in this country ; but it is fair to ask whose fault it is that the German Chancellor stands where he does in Europe. Was it not the French who held the lead in M. Schumann's day, not so long ago ? Was it not they who pressed for federal solutions and proposed the formation of a European family at whose table France would take the head at one end and Germany at the other ? It is not without significance that one Frenchman—M. Monnet—who knows what he wants and has devoted himself heart and soul to getting it, has established in Luxemburg that vigorous European institution, the coal-steel community. Why must it always be assumed that Germany, weakened as it is by the presence in Europe of the Americans and the Russians, must dominate France, with its security guaranteed fivefold, with its natural wealth and overseas partners, with all its vigour and brilliance ? How much longer is this fear to paralyse all advance towards a new organisation of Europe ? Questions such as these lie behind the Prime Minister's blunt references last week to the difficulties of the French.

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Successive French governments have placed their allies in this dilemma : granted that Western Germany—however relations with the Soviet Union may develop—must make some effort for its own defence, how can it be safely and efficiently made except in a European defence organisation ? A defence community will provide the benefits and economies—as well as the restraints—of common training, common supplies, joint planning and integrated command. About the desirability of such things there can be no argument ; for neither France nor Germany alone can afford effective defence with modern equipment. So much is clear to German as well as to American and British defence experts. The days of covert rearmament with the aid of Schachtian economics are over. The question therefore is : what kind of a defence community ? A tight and small one, or a loose and large one ? A tight one excludes the United States and Britain, for reasons that are well known and accepted in Europe. A loose one can include the United States and Britain. Clearly a

loosely knit organisation like Nato offers great advantages to the French: the presence of two world powers, each well placed to influence German policy, and the retention of an independent French army and defence organisation. But they have refused for three years even to discuss German membership of Nato. Why? Because Germany in Nato would receive precisely what the French want for themselves and fear to give the Germans—an independent national army and defence organisation. In short, France will not accept Nato as the harness of German rearmament because it has no bit. If Nato were a stronger organisation, with political powers of the kind that neither Congress nor Parliament in this country seem yet disposed to give it, then France might agree to Germany joining it.

Yet there is in this case an element of absurdity. If France really wants a united Europe, with institutions of a federal kind, how can it exclude institutions for common defence? A European federation without powers over military policy and defence expenditure would be no federation. Can it be that French statesmen, having seen all the implications of federation, are now harking back to complete national independence? Do they now see federal Europe as a Frankenstein that would annihilate them? If that is the way they are thinking—and there are millions of French voters who would support them—then for the sake of honesty and clear thinking let them say so. For a situation in which Germany is willing to surrender sovereignty in defence to a European body while France hesitates to do so is not one that can continue indefinitely without danger. To make Dr Adenauer look foolish by ensuring the collapse of his European policy is a sure way to encourage the German nationalism that is now being mobilised for elections in September.

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These hesitancies on the part of France—and also of others—were clearly revealed at Strasbourg earlier this month. There was a general disposition among the delegates to the Consultative Assembly to back away from the idea of a six-power "little Europe," as its critics call it, and to entertain vague hopes that more might be made of the much larger Council of Europe. And in Paris, this week, too, there is every sign that efforts to produce a European Political Community, which would preside over the coal-steel and defence communities, are faltering. Here again, it is impossible to acquit the critics and conveners of irresponsibility; for what alternatives do they offer? Do they propose to give executive functions to the Council of Europe in matters of defence and economics and finance? If so, six members at least will wish to resign, among them possibly British. Do they propose nothing more than political consultation and functional co-operation (Mr Bevin's much-despised advice) on the model of the British Commonwealth? If so, France will object that such an organisation is too loose to contain a resurgent Germany—not without reason, for the Commonwealth is quite unable to restrain members who act contrary to its interests and ideals. Or do they propose the extension and development of the idea of the Atlantic Community? If so, there is little future for the Council of Europe.

There is another alternative that attracts many French minds. It is that France—with, if possible, its allies—should give up the whole policy of integration in return for an agreement with the Soviet Union. This would allow the unification of Germany and the creation of a small *Wehrmacht*, but would forbid the Germans to ally themselves with either the Communist or the western group of powers. Behind such hopes lies the conviction that Germany is the real enemy and that French and Russians have a common interest in treating it as such. But surely no French statesman who has worked for European unity and the present allied policy towards Western Germany could consider such a solution without personal dishonour. Every consideration of military security and political good sense excludes it, and the Prime Minister's pledges last week to Dr Adenauer close the door to it so far as Britain is concerned. The choice therefore remains: either a tightly knit European community in which France and Germany work together because they have to; or a loosely knit Atlantic Community in which an independent Western Germany will dispute with France the right of access to Great Power counsels. The latter solution might mean the end of the movement for European integration; the former could bring some, if not all, of the benefits that the European movement has promised itself. To hesitate between the two decisions is pardonable; it is a terribly difficult choice for Europe. But to hesitate about the former while refusing to consider the latter—which is what France appears to be doing—is to have no policy at all. Nothing could suit the Soviet Government better.

The Toleration of Slavery

"The natives of the Gold Coast," says Mr Cruikshank, confirming the statements of other authors . . . "may be emphatically termed a race of slaves. . ." There, as in the early ages, men buy their wives and regard their offspring as property. This is very much in accordance, as Mr Cruikshank points out, with many passages in Scripture; and that condition of society on the coast of Africa is the origin of the slave trade and of that slavery which yet pollutes some of the West India islands and the Southern States of America, after the bulk of civilised society in Europe and in the Northern States has outgrown it. These things, though remote now in space, are connected as cause and effect, and there would be no slavery in the States had there been none in Africa. An institution or a practice so very general both in time and space must be considered consistent with the order of Nature at one stage of society, though inconsistent with it at that stage which society in Europe and in North America has now reached. But it can no more be put down than serfdom can be restored. Our reason and our hearts call on us to abhor it and to strive against it, and we hope to improve it. We ourselves will have none of it, as corrupting and degrading all alike; but it is a different question whether our abhorrence is a justification for making common cause with the enthusiasts of the Northern States in a crusade against slavery in the Southern States. The party in the North feels the pollution and the degradation which afflicts the whole society; but we have no more business, as a nation, to take up the cause of the Abolitionists in the United States, and declare a war of opinion against the Southern planters, than we have to take up the cause of Mazzini and Kossuth, and assail the Governments and people of Austria and Russia.

The Economist

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Strings to the Hospitals' Purses

IT is significant that in this week's debate on the national health service Mr Macleod put the method of financing the hospitals first among the objects of the Guillebaud Committee's inquiry. Something like three-quarters of the cost of the health service that is borne from central funds is made up of advances to hospital authorities, and from the outset doubts have been felt whether these advances—now amounting to £300 million a year—have been estimated and spent economically. In the early years of the service, hospital authorities were given a fairly free hand, partly because there were no real standards of comparison against which the costs of the hospitals could be judged. This carefree period was followed, in the last years of Labour's administration, by strict central control that maintained a limit on total hospital expenditure but by no means ensured that the money spent within that limit was being put to the best use. Later, this central control was partly relaxed, and hospital authorities now have fairly wide powers to spend their money as they wish provided they do not exceed their budgets. What they still cannot do is to retain any savings on their budgets that they have made either by careful management or through unforeseen circumstances like a shortage of labour and materials.

Throughout these first five years of a nationalised hospital service, the recurrent theme has been: could not the hospitals be financed like the universities—that is, by a system of block grants for a period of, say, five years? The hospital service, it is argued, is not one for which financing on an annual income and expenditure basis is appropriate. Developments need to be spread over a period of years and priorities laid down. Under the present system, proper planning is impossible, and money tends to be spent on inessentials in the last months of the financial year because it cannot be saved for more worthy objects later.

In the last year or two, however, a new theme has been heard. Even if it were assumed that Parliament would agree to give up its annual control of so large a sum, there would be considerable objections to handing it out for so long a period when so little is known of the real cost of treating a hospital patient. At present, the hospitals' budgets are calculated from the estimated expenditure under various headings—salaries and wages, food, fuel, drugs and so on. The drawback of this system is that it prevents fair comparisons between one hospital and another. One hospital may have a much larger out-patient department than another, otherwise comparable, hospital. Its staff and food bills are consequently bigger, and the effect will be to inflate the estimated cost of maintaining an in-patient. The Ministry of Health has tried to overcome this difficulty by making arbitrary allowances for out-patient expenditure. But it is widely held that the only true basis for estimating the cost of treating a patient is a system of unit costing. This would allocate to each ward—or to each medical and surgical unit—its share of the total maintenance costs of the hospital. The estimated cost of each unit would, therefore, reflect a proportion of administrative costs as well as the cost of the staff, including their food, directly concerned in running the unit, and the cost of treatment.

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Investigations into costing on these lines have been carried out in recent years by the Nuffield Provincial Hospitals Trust and King Edward's Hospital Fund for London; both bodies published reports on the subject last autumn. In favour of costing, it is urged that the system would give the Ministry a much more realistic basis for determining the size of the block grant, should such a step be taken. Even without this, it would enable valid comparisons to be made between various hospitals and help the authorities to see likely items for economy.

Against these advantages, it is argued with some force that a costing system could not be introduced into the majority of hospitals without an increase in staff which at the moment is quite out of the question. The pilot investigations that have taken place were, after all, made in selected hospitals. Changes in the method of financing the hospitals cannot wait for the adoption of an elaborate accounting procedure. Secondly, it is argued that costing, which in industry is used to determine the market price of a product, is inappropriate to the hospital service. Let it be supposed that an accurate costing system could be introduced overnight. The cost of maintaining each hospital bed and of providing for each out-patient attendance would be calculated and then multiplied by the total number of beds

a hospital expected to have at its disposal and the total number of out-patients it expected to serve. This process would be repeated on a national scale, and the Ministry of Health would present the bill to the Treasury. But it does not follow that the Treasury would agree to it. No matter how elaborately and scientifically the cost of the hospital service is estimated, it still has to conform to the total health service budget, the size of which depends in its turn on the state of the national finances. It is the Treasury that determines the "market price" of the hospital service—that is the price the country can afford to pay for it—and the hospital authorities have to make their costs fit the price.

This does not mean that costing will not eventually have a place in hospital financing. But there is a danger of its becoming an end in itself instead of a useful tool—for those capable of handling it. There are, moreover, two much simpler ways of encouraging economy. First, hospitals should be allowed to retain their unspent balances; it is fantastic that authorities who are able to cut their costs below the market price—so long as they meet the specification and do not provide a shoddy service—should derive no benefit from their economies.

The second method is by more flexible capital budgeting. It is well known that the maintenance expenditure of most hospitals could be reduced by the installation of modern equipment in, for instance, boiler rooms, kitchens and laundries. It is not so well known, however, that in carrying out work of this sort hospital authorities have to take part in an annual obstacle race. The work forms part of their capital programme together with the installation, modification or extension of telephones and lifts and a host of similar pieces of equipment. There are many hospitals today where the wards are still heated by old-style open coal fires, and where manpower is wasted carrying patients up and down stairs from the operating theatres to the wards because there are no lifts or they are not big enough to take the stretchers.

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In August, 1950, the practice of allocating a capital sum to the hospitals for only a year at a time was modified. The authorities were then told by the Ministry of Health that they could rely on certain capital advances to spend in the two succeeding financial years and that in 1953-54 and later they could expect to have sums "not disproportionate to" those for 1951-52 and 1952-53. A year later the allocation for 1952-53, originally put at £10 million, was reduced by a quarter.

But uncertainty over the future capital sums available is by no means the worst hurdle that hospital boards have had to surmount. Until last March, when the limit was raised to £10,000, a board had to submit for detailed scrutiny by the Ministry every capital project costing more than £1,000. (The Ministry will still have to be consulted about projects costing less than £10,000 if they "present special problems.") Then comes the authorisation by the Ministry of each board's total capital programme. But when this has been received boards must still obtain from the Ministry of Works a starting date for schemes costing more than £2,000 (until recently, the limit was £1,000). The starting date may, however, be too late for the allocation in the estimates to be used, and the money is either unspent and returned to the Treasury at the end of the year or, more likely, used on hastily devised small schemes which may not be of great importance.

It would be an obvious advantage, therefore, if the hospitals' capital budgets could be spread over, say, five years. Works could be dovetailed into each other and should as a result cost less to carry out. Nor would there be the same objections to a surrender of Parliament's control over the comparatively small capital budgets as there are to a surrender of annual control over recurrent expenditure amounting to nearly £300 million.

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The fact remains, however, that it is this large and growing maintenance expenditure that causes anxiety. More efficient equipment should certainly produce worthwhile economies; but they could not make a big impression on the total expenditure because nearly two-thirds of it is made up of salaries and wages, which are outside the control of the hospital authorities. It is true that hospital boards are represented on the Whitley Councils; but there are more Ministry officials on the employers' side, and management committees, which employ all hospital staff except the senior doctors, are only indirectly represented.

If the Whitley machinery were used solely to fix minimum rates of pay its influence would not be so widespread, for hospital budgets now contain a provision for increases in wages and salaries. But the worst effect of Whitleyism in the hospitals is its undermining of the responsibility of those who run them. Hospital authorities must not pay more than the Whitley rates. They cannot, therefore, reward hard work and efficiency within their hospitals. Nor can they, for instance, pay commercial rates for a first-class caterer or cook who can usually reduce the cost of institutional feeding as well as improve it.

Nor is this all. Along with Whitleyism has gone a growth of restrictive practices to an extent unknown in the days before the hospitals were nationalised. By a recent Whitley decision skilled labour must be used for cleaning paint work even when there is to be no repainting. Formerly, the hospital porter did a variety of tasks that are now the exclusive preserve of others. Nearly two years ago the Select Committee on Estimates recommended that urgent consideration should be given to the application of the Whitley system to the hospital service. Even more than block grants, it should receive the prior attention of the Guillebaud committee.

Block grants, five-year capital budgets and the like are contrivances that might well produce economies but hardly go to the heart of the matter. Is there something inherently wrong with the organisation of the hospital service? Is it sensible that financial control and responsibility should be so firmly fixed at the centre and so little real power delegated to those on whom the successful running of the hospitals depends? Is the price of uniformity in standards of service too high? Questions of this sort need to be answered before vested interests in the present organisation become too firmly entrenched and the rheumatism now afflicting the service becomes chronic. If the Guillebaud committee merely helps to answer these questions about the hospital service, its appointment will have been fully justified.

Plot and Counterplot

NOW that the fantastic episode of the Moscow doctors' plot can be seen in perspective, it is worth analysing some aspects of it in detail. The whole ugly story throws a very clear light not only on Communist methods in the Soviet Union itself, but also on the habits and tactics of the Communists in the free world. Moreover, they themselves have provided all the evidence. There is no need to cite any allegation brought against the Communists in this matter from quarters opposed to them. It suffices to compare what the Communists themselves said at the two crucial points—the moment when the arrest of the doctors was revealed, and the time, nearly three months later, when most of them were declared innocent.

It goes without saying that the Communist parties in the West instantly accepted, without the least hesitation, the story issued in Moscow on January 13th. It provided the main news headline in the next day's issue of *l'Humanité*, the *Daily Worker* and all other party organs. Even before readers of these papers were given the facts as issued by *Tass*, they were told that the "doctors' conspiracy" provided "irrefutable proof of an Anglo-American attempt to create a fifth column in the USSR." The *Daily Worker's* front page story, written by its foreign editor, began:

> The medical conspiracy against Soviet leaders revealed in the early hours of yesterday morning has shown the world the absolutely unprincipled and barbarous nature of the cold war waged by the western powers.

The writer went on to state categorically, without even ascribing his information to any Moscow source, that

> Five of the nine doctors who have been arrested and confessed their guilt got their orders from "Joint"—the American Joint Distribution Committee. Under cover of organising relief for poor European Jews, this body has acted for years as a cloak for US espionage agents.

This, and the parallel declarations in *l'Humanité*, *Unitá* and all other Communist newspapers in the West, provide an enlightening contrast with the same newspapers' arguments in the first week of April, when they were compelled to print—in relatively obscure positions—the news that the whole "plot" had been fabricated by the Soviet police. Three days later the *Daily Worker* produced its first comments, beginning with this delightfully self-revealing sentence:

> The capitalist press does not know what to say about the release of the Moscow doctors, but feels impelled to say something.

It went on to deride another daily paper for having described as "appalling cynicism" the fact that "men from whom confessions had been extorted were found guilty of crimes they had not committed." The Communist paper's editorial retorted—with much truth—that

> the doctors had not been found guilty, for the simple reason that at the time of their release they had not yet been brought to trial. There had been a preliminary examination, which decided that there was a case to go to trial. Further examination, however, disclosed that the evidence was falsified and that methods of examination had been employed which were repugnant to Soviet justice. . . .

Details of these "repugnant methods," to which the Communist press thereafter referred under the nice name of "irregularities," were not given by any Communist source in either east or west. But all party organs hastened to claim that the release of the doctors showed the swiftness with which the Soviet government could exculpate the innocent (or at least the survivors) and bring their persecutors in turn to justice. This, despite the fact that nearly three months had passed since the first announcement, which in turn had indicated that the doctors had been undergoing "irregular examination" for no little time.

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No Communist organ has yet explained why, if no more than a *prima facie* case had been made against the accused, their guilt was not merely taken for granted but used as the "irrefutable proof" which justified a monstrous witch-hunt throughout Russia and Eastern Europe. The *Daily Worker* was content to declare that "the innocent have been released, and those who blackened their names are now awaiting trial." In any civilised country, "those who blackened their names" would be assumed to include all the journalists who denounced the accused doctors without waiting to hear their defence and while the case was still *sub judice*. It is not impossible that the editors of *Pravda* and *Izvestia*, who called the innocent men "killers, professional spies and terrorists from Joint," may yet in fact be brought

to trial for their errors. But the editors of *l'Humanité*, who dubbed them saboteurs, bandits, and assassins, and the editors of the *Daily Worker*, who called them "wreckers of peace" and "incendiaries seeking to light a new world war," and declared that "the whole of peaceful mankind should be glad when they are stamped out," seem neither to have withdrawn these "vile calumnies" (*Pravda*) nor to fear the wrath of Soviet justice. Presumably, the "civic rights" which, *Pravda* now tells us, are guaranteed to every citizen by the Soviet constitution do not extend to redress for libel.

Of course, it is now known, on the authority of the Moscow Press, that the whole case against the doctors was fabricated by the "adventurer" Riumin, until recently deputy Minister of State Security, who, with his associates, were out to "fan enmity between the peoples of the Soviet Union" by "abusing their own arbitrary power in a racialist manner" (the fact that the Communist Press in the West reproduced this damning admission of the "arbitrary power" wielded by Russian police chiefs was some measure of its confused mood). It is comforting to learn, again both from *Pravda* and from the party Press in western Europe, that although Riumin carried on his insidious campaign "for three or four months, the Soviet people strongly resisted it. . . . They were shocked whenever they detected the racialism of Riumin." No doubt the Russian people did resist it; they probably agreed wholeheartedly with the "anti-Soviet propaganda chorus of the millionaire Press" that the whole story about the doctors was a cruel lie. But the masters of the Soviet Press did not even try to resist it; the extent to which they accepted Riumin's "racialist fabrications" may be judged, for example, from a January issue of the Ukrainian *Pravda*, which declared that

> the profound hatred of the people is aroused by all these Kahns, Greensteins, Pers, Kaplans and Polyakovs.

In the West, moreover, not only the Communist Press, but also many individuals swallowed the "adventurer's" tales in one gulp. Mr Ivor Montagu called the doctors "a handful of criminals"; Mr Andrew Rothstein rushed into print to term them "terrorists and traitors"; Mr Jack Gaster, Mr Solly Kaye and a group of other Jewish members of the British Communist party issued a joint statement praising Riumin's machinations as "a direct defence of world peace." The British-Soviet Friendship Society warned the western world that it had called the Soviet trials of the 1930s fantastic, but that the true nature of those trials had eventually emerged. The truth about Riumin's charges has also now emerged, but the society has fallen silent.

Silence is, perhaps, the only safe course for the western Communists. Certainly the *Daily Worker's* comments on the exculpation of the doctors showed signs of haste and indiscretion. The paper's Moscow correspondent reported that

> The release has deepened public conviction that the ministerial reorganisation put into effect by Malenkov has led to greater efficiency.

This might easily be taken to mean that throughout the Stalin era ministerial inefficiency made it a normal thing for Russians to be arrested and subjected to "repugnant methods of examination." It can hardly be supposed that the Communist paper intended to give that impression.

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What conclusions can be drawn? First, it is now clear that the picture of popular indignation at some supposed wrong or support for any particular cause presented by the Communist press can at any time be a complete fabrication. For example, *l'Humanité* of January 15th printed on its front page the banner headline: "The Soviet people demands exemplary punishment for the criminal doctors," under which it told of thousands of Muscovites rushing into the streets and exclaiming "Wretches! Assassins!" as they eagerly bought their newspapers. Now, however, we are told that the Russian people firmly rejected Riumin's lies from the start.

Second, we have confirmation from Communist sources that the western press is sometimes correct in treating Soviet propaganda as completely false. In January, the *Daily Worker* wrote editorially:

> The capitalist press in Britain pretends that the conspiracy is a fantasy. . . . It would like to see the British people waxing indignant not against the conspirators but against those who are punishing them.

The same paper now reveals that the free press was not only perfectly correct, but also in agreement with the feelings of the Russian people themselves—which the Communist press had scorned.

Third, it is demonstrated that the Communists in the West will accept without question, and base their policy on, whatever fabrications are handed down to them by any group of "adventurers" who are temporarily in control of the Soviet police and propaganda apparatus.

Fourth, the same western Communists are willing to swallow their pride and repudiate everything they have been saying the moment new directives arrive from Moscow. No such acrobatic *volte-face* has been performed in full view of the free world since the Nazi-Soviet pact of 1939 and the subsequent dropping of the pro-Nazi line in 1941; but the party has shown that it has lost none of its former agility.

Finally, the case of the doctors not only reveals the ease with which skilled Soviet policemen can extract false "confessions," and thus destroys all credence in the countless other judgments passed on unfortunates in Eastern Europe, from the time of Mr Vyshinsky's pre-war prosecutions to the recent execution of Slansky. It also shows the force and conviction, the wealth of detail and plausible argument, that the Communist propaganda machine can put into any campaign of falsehood. If the doctors were not Anglo-American agents after all, are we still expected to take seriously such parallel charges as that of germ warfare?

Notes of the Week

McCarthy Sails the China Seas

THE accusations and threats launched against Britain and other allies of the United States by Senator McCarthy in the past fortnight have been graver than any that preceded them. Since Mr McCarthy's committee began to investigate trade with China and other Communist countries on May 4, the Senator has alleged that Britain has been selling China chemicals with which to manufacture explosives, that British ships have carried Communist troops along the Chinese coast, and that British aid to Mao Tse-tung has more than offset Britain's contribution to the United Nations cause in Korea. In a passionate outburst in the Senate last week, he cried: "Let's sink every cursed ship carrying material to our enemy."

If these accusations could be duly substantiated, Mr McCarthy's wrath would be justified. Britain is clearly bound by the United Nations resolutions which require that no war material should be supplied to China or North Korea while they are engaged in aggressive war. However, as a recent leading article in *The Economist* pointed out, this obligation has been loyally observed. The "evidence" to the contrary so far presented by Mr McCarthy and his young minions has been unconvincing. The Senator's technique in this particular investigation—as in all others—has been to accept without examination every vague and damaging allegation, to silence any witness whose testimony appeared to conflict with his preconceived ideas, and to obscure as far as possible the distinction between trade in strategic and non-strategic goods. The damage that can be done to allied solidarity by these unscrupulous methods must not be underestimated, and it is probably an unhappy fact that no amount of painstaking rebuttal will remove all the smears.

Dr Adenauer and Locarno

DR ADENAUER'S first act on returning to Bonn last week was to explain away Sir Winston Churchill's suggestion that a treaty might be concluded with Russia on the lines of the Locarno Pact of 1925. There are good reasons why he should do this; for Germans are always ready to assume—quite wrongly—that British statesmen have subtle and well-laid plans for dealing with Germany to the advantage of Britain. The Chancellor is also extremely anxious to assure himself, as well as others, that the western powers are not contemplating an agreement with Moscow in which abandonment of the western defence system would be the price for peace with Malenkov.

Dr Adenauer also needed to interpret Sir Winston's remark mildly because some German politicians regard Locarno as a model for a settlement that would give Germany, as they think, the best of both worlds, eastern as well as western. These men have studied the Locarno negotiations, and they have noted that Stresemann was able to secure a guarantee of Germany's western frontiers, without granting western troops the right to march through Germany, and without the Soviet government raising objections. In spite of its pact with the West, Germany was free, a year later, to conclude a treaty of friendship and economic collaboration with Moscow. This feat appears to some champions of German unity to mean that Stresemann was a greater statesman that is Dr Adenauer who is fighting a historic fight to get Western Germany linked with the Atlantic powers.

Sir Winston certainly did not intend his suggestion as an alternative to the European Defence Community; but to Germans that is the way it is likely to be regarded. To some of them outside the Adenauer circle it seems clear that a price will have to be paid to Moscow if tension is to be relaxed and the Russian forces are to withdraw from the Soviet zone. That price appears to some to be either the abandonment, or the drastic modification, of Germany's part in western defence, and a western acceptance of the Oder-Neissse frontier. Sir Winston's suggestion, therefore, raises the prospect, dreaded or welcomed, of an agreement with Moscow that would involve three things: a virtual end to the budding German-Western alliance, liberation of the Soviet zone, and temporary abandonment of the lost territories across the Oder-Neisse line. It can be easily understood, in view of these far-reaching deductions, why the Federal Chancellor should hastily explain, after reading through the text of the Locarno Pact, that Sir Winston was referring only to its spirit and not to its clauses.

Labour Policy Decided

THE Conservative victory in the South Sunderland by-election has provided the Labour party with conclusive evidence that it cannot rely on an inexorable swing of the electoral pendulum to bring it back to power. Recent by-elections and the current public opinion polls both indicate that the Conservatives now command a majority of popular support, and—unless some such disaster as mass unemployment comes to its aid—Labour will have to make positive efforts to regain the lost ground. That must require

a new, constructive policy. Whether Labour is yet able to offer anything of the kind will be seen from the policy document due to be published soon after the Coronation.

This declaration will be submitted for the approval of the party conference in the autumn, but immediately it is published it will be accepted by the country as the platform on which Labour would fight a general election. It will be compared with the earlier policy statements which began with "Let Us Face the Future." Whatever may have been the weaknesses of those 1945 proposals, they amounted to a coherent programme based on a philosophy that commanded wide acceptance throughout the political left wing. Since then, each Labour policy statement has carried increasing marks of division and uncertainty, and there is no reason to believe that the new document will be any more convincing. When the party's national executive considered it this week there was last-minute trouble only over matters of drafting. The last outstanding question—whether or not to propose the nationalisation of large parts of the chemical industry—seems to have been resolved by a woolly compromise. The proposal is left in but the suggested method for implementing it is taken out; that will be left to some sort of enquiry when Labour has won a general election.

This approach seems to have been typical of the whole course of discussion within the party's executive and between the party and the TUC. Tortuous efforts have been made to reconcile two views which are fundamentally distinct, and as a result no one is satisfied. The Bevanites have openly threatened to start a national campaign to get the party conference to propose the nationalisation of rented land which the executive has rejected. The right wing fears that the half-hearted revival of stale nationalisation will obscure its new ideas for the social services. The programme proposes, for example, in some way to adapt the theory of the comprehensive school to existing school buildings. It also suggests that local authorities should make greater use of their powers of compulsory purchase in order to buy up houses in poor repair, renovate them and re-let them as council houses or flats. This at least steals a march on the Conservatives who have as yet produced no plan for helping the over-burdened private landlord. And while such ideas may be no more acceptable than nationalisation, they have something to do with current problems.

The Unfree Health Service

THE debate in the House of Commons on Monday did not produce a full-scale attack on Mr Macleod's committee of inquiry into the health service. Mr Bevan had failed to get his party's support for a motion of censure. Had not a trade unionist agreed to serve on the committee? The sting was therefore taken out of Mr Bevan's speech and the whole debate, which took place on an ordinary supply day, was milder than had been expected.

Mr Macleod was therefore able not only to justify the appointment of the Guillebaud committee but also to give a review of the working of the health service charges. When defending the charges imposed by the present Government, Mr Macleod has always maintained that they were intended as much to direct health service resources

where they were most needed as to save money. Thus, the charge for dental treatment to adults would, it was hoped, enable dentists to give more time to treating children. In the debate Mr Macleod was able to show that the charge is having the desired effect. In 1950-51, before there were any charges at all, dentures cost 63 per cent of the total expenditure on the dental service. This meant that 44 per cent was spent on the treatment of people over the age of 45 and only 9 per cent on children and adolescents. By the second half of last year, the proportion of expenditure on treating children and adolescents had risen to 27 per cent. At the same time there has been a flow of dentists back to the school dental service.

The effect of the prescriptions charge has been much less satisfactory. It may, indeed, have reduced some unnecessary calls on doctors' time. The fact remains that the total number of prescriptions dispensed is still rising and is now running at the rate of 241 million a year. Further, the average cost of a prescription is rising, mainly because of the greater number of proprietary drugs that are now prescribed. There is no easy solution to this difficulty. As Mr Macleod pointed out, it is largely out of the sales of their proprietaries that pharmaceutical firms finance the research that has produced so many successful drugs in the last fifteen years. But here is certainly another question for the Guillebaud committee.

M. Mayer on the Brink

IT is uncertain, as *The Economist* goes to pr[ess], whether or not France will have a government next [w]eek. By asking for a vote of confidence on his programme [o]f limited financial reform, M. Mayer may have provo[ked] the nineteenth major parliamentary crisis in postwar [F]rance. In fact, M. Mayer had no choice if he was to go [g]overn at all. The budget deficit amounts to nearly £800 [mi]llion, France's EPU deficit is reaching fantastic proportion[s] after a further sharp deterioration in April, and the [w]hole economy is suffering from stagnation and a wave of [i]ndustrial unrest. M. Mayer proposed to cut governme[nt ex]penditure by some £112 million and suggested a [n]umber of new taxes, including a levy on home-distilled [a]lcohol. Although these measures are a tiny part of what [c]ould be needed to stop the rot in French financial life, M. [Na]. Mayer has had to ask for special government powers bef[ore he] could even think of carrying them through. As wa[s shown] in the case of the overthrow of M. Pinay five mor[ths ago,] the National Assembly simply will not allow a gova[ernment] the margin of independence it would need in extr[order to] survive the changing whims and moods of the ce[various] parties.

Although M. Mayer's fall may be caused by a lac[k of] confidence in his budget proposals, there are other [issues] on which opposition to his cabinet has been mou[nting.] Though it has no precise remedies in mind, the N[ational] Assembly feels that the Mayer government is [partially] responsible for the present setbacks in Indo-China [and for] the continued deadlock over North Africa. What [many] Frenchmen really have in mind is a drastic reductio[n in] France's defence commitments and possibly a withdra[wal] from the Far East. But no one, except the Communis[ts]

is prepared to say this openly and successive governments have been blamed for what is, in many ways, a tragic and insoluble problem.

If M. Mayer survives this week, it will simply mean that he will find himself in the same situation next week when he will demand further votes of confidence. Any slight shift in the parliamentary wind can swamp him and the expected split in the ex-Gaullist bloc (discussed elsewhere in this issue) may lead to a thorough reshuffling of the parliamentary pack. In view of this it is a pity that M. Mayer has not chosen to fall in style. It is high time that a French prime minister should speak frankly to the nation and put before it the need for a profound constitutional and financial reform. As it is, the public feels that this continuous series of parliamentary crises merely stems from the personal bickerings and infidelities of its deputies. Hence the paradox that the French people take the lack of stable government far less seriously than the rest of the free world, which recognises in it a symptom of real decay.

Mr Dulles in Delhi

DURING the next few days Mr Dulles will be in Delhi, an unfamiliar destination for an American Secretary of State, though perhaps no stranger than the Middle East capitals he has been visiting in the last two weeks. What makes Delhi different, however, is the size and prestige of India, and the fact that Indians and Americans each represent in their own way the opposite poles of the free world. For this reason their relations have not always been harmonious; certainly, they have never been close. Although Mr Chester Bowles, the recently retired American Ambassador in Delhi, did remarkable work in winning friendship and regard, Mr Dulles, as the maker of new policies, may have a rough passage. For the Indians he has personified something they have regarded with suspicion and dislike: the American "imperialist" attitude to the other leading Asian power, China; though there is now no love lost between the Indians and the Chinese. India has hitherto ranked relatively low in Washington's policy planning, and Americans in general have looked with keen disfavour on Mr Nehru's neutralist attitude in the cold war.

Mr Dulles has just been preceded in Delhi by a uniquely prominent compatriot, Mr Adlai Stevenson, who is touring Asia during the Republicans' honeymoon in Washington. His speeches during the presidential campaign had already won him high esteem in Delhi, as elsewhere; but his visit has been an outstanding success and may have a considerable effect on Indian thinking. Mr Stevenson, nevertheless, is not in power, and it is for Mr Dulles to turn these favourable developments to good account. He will doubtless have noticed the importance now attached in Moscow to building up the industrial strength of China, a project which might decide before the end of this century the leadership in Asia. What is less certain is whether he has noticed the important scope of India's economic plans, in which there is a financial gap estimated by the retiring American Ambassador at between $600 and $700 million. Many will think that $94 million of aid for India and Pakistan together compares unfavourably—even grotesquely—with over $2,000

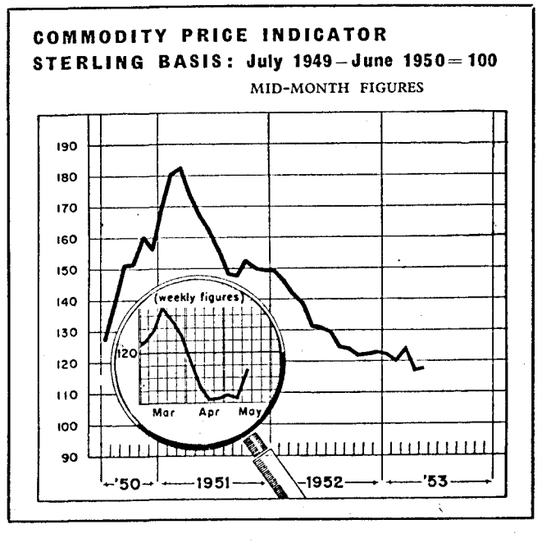
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allocated to other countries which are to play their
the containment of Chinese Communist expansion.
in the next few years will depend on how American
-operates with India led by Mr Nehru, and on the
with which other Indian leaders appraise the
of Communism abroad as well as at home. We
d will certainly hope that Mr Dulles's visit will
ew start in relations between Delhi and Washing-
an historic opportunity not to be missed.

Mr Lyttelton Sees for Himself

IN going to Kenya to form a firsthand impression Mr Lyttelton was no more than according the situation there the attention its urgency demands. A short tour of "the front" may not in itself help to give a profound understanding of the cause and cure of Kenya's condition, but it was important for more reasons than that of improving the morale of the local community. The Secretary of State should have been able to size up people on the spot. That needs doing. Allegations of considerable laxity and of considerable brutality in the conduct of operations continue to be made. Both the Asian and the loyal African communities have complained of being cold-shouldered in defence measures. Some leading settlers have been asserting that a number of senior colonial officials are incompetent. The officials themselves no doubt have views on the leadership provided by the settlers, which Mr Lyttelton's visit will have enabled them to pass on discreetly.

Mr Lyttelton's comments in Nairobi closely followed those of General Sir Cameron Nicolson, the commander-in-chief of the Middle East land forces, who found the strength of Mau Mau formidable; he thought the movement capable of spreading if it was not speedily suppressed by more vigorous operations. The Secretary of State dwelt on recent improvements, particularly the steady growth of



the information reaching the police. Justice is becoming more effective. On the other hand, Mau Mau gangs are operating in larger companies. This may be their last fling, but they still attack troops and, above all, still inflict heavy losses on small loyalist Kikuyu outposts which are undermanned, under-equipped and unable to call reinforcements to their aid before being overwhelmed.

The outstanding issue at the moment is British power to support and protect the loyal African; until this has been demonstrated beyond question the mass of the Kikuyu will waver. Mr Lyttelton paid the loyalist Africans a well-deserved tribute, and he evidently considers that the Government is winning the waverers over. His qualified optimism is encouraging, but there have been many setbacks in Kenya and the roots of Mau Mau go deep. The emergency remains, and the longer it goes on the more formidable the problems of reconstruction appear.

The Wages Magnifier

THE claim for a 15 per cent increase in wages was on Wednesday approved by the general council of unions belonging to the engineering and shipbuilding confederation. It would cost the industry some £120 million a year, and plainly it will not be granted. The unions who are making the claim are, indeed, perfectly well aware that three shillings in the pound is more than they will get. Do they really help themselves by pretending to think otherwise? It has become conventional for unions to name a figure and accept a fraction of it. Last year, after nearly six months of bargaining, the engineers were given 7s. 2d. instead of the £2 they had asked for—and which was, they said, the minimum necessary for the maintenance of their accustomed standard of living. It is all a far cry from collective bargaining as it was conducted in the days of the docker's tanner—when union claims generally won public sympathy.

Last year the engineers accepted the 7s. 2d. for what it was—the outcome of a bargaining process that is reasonably fair but which always begins with a good deal of shouting and much pretended defiance. This year members of the Amalgamated Engineering Union, the most important in the confederation, have been frank enough to admit, even before the bargaining begins, that they find themselves compelled to ask for more than they can hope to get. They must also pretend that what they are demanding is the least that will satisfy their members, a pretence that they have seldom been able to sustain. The problem is, of course, that union leaders are often elected because they seem to be more militant than the men they lead, and it is their reputation for brave talk which compels them to keep on talking bravely. Even when it is obvious that they are asking much too much, they have to insist on calling it a minimum. Mr Jack Tanner, the president of the AEU, recently reminded its national committee of the consequences of this attitude last year. "It took much longer to effect the final agreement than would have been the case had we been a little more sensible and matter-of-fact in our approach to the question of amount. But you must all now admit that too many of our members considered the £2 claim up in the air."

The same thought may already have occurred this yea about the 15 per cent. One member of the committe posed the question: "How are we to convince them in th workshops?" Another insisted that the union must "mak the strength of our new case known to our members," an Mr Tanner summarised all their hesitations with th rhetorical (or at any rate unanswered) enquiry ". . . how far will the membership be prepared to go to get 15 per cent?" Last year the union's leaders had to spend time and money on trying to convince their own followers that they deserved £2. This year they will have to pretend, at least, that the workers deserve 15 per cent. National committee men have to be militant, or they would not be national committee men. But it is, as Mr Tanner said, a situation "bordering on the farcical."

Cut and Thrust on the Radio Front

RECENT political developments on both sides of the iron curtain have introduced a good deal of confusion into the picture of the cold war of the air. Thus, at the moment when *Pravda* was reproducing the text of President Eisenhower's recent speech, several hundred Soviet jamming stations were busy trying to prevent the Voice of America from conveying the same speech to the same public. Has the Russian taxpayer no redress against this monstrous waste of his money? On the other side of the Atlantic, the Bureau of the Budget, ever watchful over the American taxpayer's welfare, has succeeded in paring $4 million off the cost of US information services to other countries; and one result has been a decision to stop all broadcasts to Siam, taken just as the Vietminh offensive through Laos reached that country's borders.

Other moves recently made on the radio front have been less paradoxical, but scarcely less intriguing. Last month, after the first post-Stalin doves had been flown from the Kremlin, a brief directive was issued for Communists in Britain which called for action to lift the embargoes on strategic exports to China and other Communist countries, to stop BBC broadcasts to those countries, and to prevent the formation of a European army—in that order. The prominent place thus given to the radio front can hardly have been accidental. Can it be that the Kremlin's new tactics have emboldened more of its subjects to listen to the western radio, or emboldened Moscow's listener-research departments to report more truthfully on the western radio's successes?

No Respite for Jugoslavia

REPORTS that the Soviet campaign of threats and pressure against Jugoslavia has ceased seem decidedly premature. It is true that Mr Djuric, the Jugoslav Minister in Moscow, has been received by Mr Molotov, and that this was the first occasion of its kind in four years. But their exchanges appear to have been brief and formal. Although Belgrade has been encouraged to hope that its representatives in Moscow may in future be somewhat less harassed by Mr Beria's police, it has also noted that its representative in Bucharest was recently insulted and its representative in Vienna virtually arrested in the Soviet Zone of Austria. Again, it is encouraging that Rumania has at last come to terms over navigation on the lower Danube; but the Jugoslavs are fully aware that the deadlock as regards this part of the river has hurt Rumania much more than them, and they will be readier to believe in the Soviet bloc's alleged change of heart when the Hungarians and Czechs cease to obstruct their more valuable traffic upstream to Austria, Germany and the West.

Moreover, the flood of threats, abuse, and calls for the overthrow of Marshal Tito's government continues to pour from Moscow radio and the satellite propaganda centres without any measurable diminution. It is small consolation to the Jugoslavs that the Russian domestic press has scaled down its diatribes against them in the same way that it has reduced its attacks on the West. Broadcasts in Serbo-Croat from Moscow still denounce "the hated Tito-fascists," and incidents along the satellite frontiers continue to occur. The Jugoslavs have, naturally, every reason to welcome any genuine easing of the economic and political warfare that has been waged against them since they were expelled from the Cominform in 1948; but they have equally good reasons for keeping their guard up while the intentions of the eastern colossus remain obscure.

Reprieve for Mr Menzies

IT looked at one time as though Mr Menzies might formally represent Australia at the Coronation but that the leader of the Opposition, Dr Evatt—who is coming with him—would do business thereafter as prime minister elect. Had the Senate election gone against the Government—and it was a near-run thing—Mr Menzies would have been Dr Evatt's political prisoner. But, although the protracted process of redistributing preferences in Queensland is still not complete, it is almost certain that the Government has kept control of the Senate by one vote, after providing a chairman.

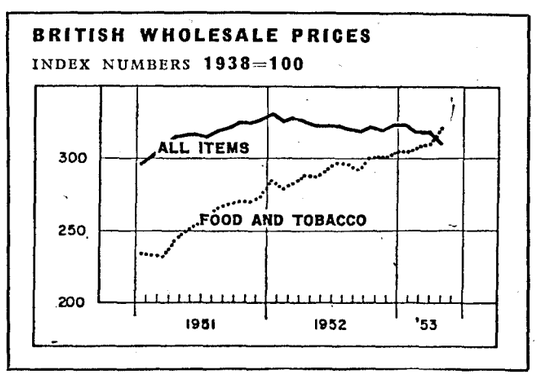
The voting for the Senate confirms, nevertheless, the swing to Labour which has put that party in control of all the State legislatures except South Australia; the same swing, repeated in an election for the federal House of Representatives, would have converted the Government's majority of 18 into a minority of comparable size. But Senate elections are extremely complicated, and minimise the effect of the swing of the political pendulum, so that even a six per cent swing leaves Mr Menzies in power. Moreover, unless a seat changes hands at a by-election, he will remain in control of the Senate till 1956, even if he loses—as it is widely predicted that he will lose—the election for the lower house in 1954. This situation, arising out of the double dissolution in 1951, is one that the framers of the Australian constitution hardly envisaged. It may lead to yet another double dissolution—thus facing the irritated Australian elector with a seemingly endless series of trips to the polling station to get stable government.

Mr Menzies's Government, however, professes to believe that the steady improvement in Australia's fevered economic condition since last year's deflation will enable it to win the election next year. It is true that primary producers have enjoyed a good season while during the past year consumers have suffered the smallest rise in retail prices—under 3 per cent—of any year since the war. Unemployment, still only 27,000 in a working population of 3 million, is declining once more. But sentiment will have to change very fast to justify Mr Menzies's political hopes, and it is as well that Dr Evatt should be in London if any long-range policies with which Australia is concerned are discussed next month.

The Education Debate

THE Education (Miscellaneous Provisions) Bill received its third reading in the House of Commons last week. It is a valuable and, to a considerable extent, an agreed measure, but it has not always had an easy passage and it has given rise to some notable debates as well as frank avowals of party and sectarian viewpoints. It deals with a wide range of matters arising out of the working of the 1944 Act; it covers such widely separated subjects as rules about endowments and the power of the Minister of Education to encourage experiments with comprehensive schools. It is, as members pointed out in the House of Commons last week, something of a rag bag, but a useful and capacious one.

Controversy, however, is never far below the surface in educational matters, and strong feelings were manifested, at the report stage of the Bill last week, over an amendment which at first sight seemed to be merely verbal. But its elucidation produced some remarkable hair-splitting, and the Minister found herself in hot water, accused of making too many promises to the religious denominations and trying to wriggle out of a difficult position by putting up divergent explanations. The argument arose over the provision of grants for a number of Roman Catholic schools which were opened after 1944, and which may, or may not, be eligible under the new Act. It is everyone's intention that these schools shall be treated fairly, but the House found itself entangled in definitions of retrospective legislation of "proposed" schools, and of "displaced" pupils, and its temperature rose. In the end, an amendment was



carried whose precise meaning seems to be somewhat in doubt, but which it is hoped will cover the hard cases among the Catholic schools.

The Bill may do something to put the denominational controversy further to rest, but its operation will raise new issues ; no education act lasts for any length of time. Labour members have made it clear that while they are thankful for the religious compromise, on the "class" issue—the private and state sectors of education—they still have much to propose to the disadvantage of the former. Much, however, will depend on the experiments with comprehensive schools, and these will take some years to work out.

Mr Oatis Regrets?

THERE are many curious features about the case of Mr William Oatis. It is over two years since the Prague correspondent of the Associated Press was arrested for "espionage" by the Czech police, who thought him—in the words of the prosecutor at his trial—"particularly dangerous because of his insistence on obtaining only accurate, correct, verified information." It is six months since his wife addressed to the late President Gottwald an appeal which apparently left him unmoved, but which is now cited by Mr Zapotocky, Gottwald's successor, as the reason for Mr Oatis's release. General Eisenhower, however, has revealed that he lately intimated to Mr Zapotocky that, if Mr Oatis was freed, the United States would be willing to discuss the restrictions on trade between the two countries imposed after his arrest. The Czechs have also linked the release with their recent amnesty, although this had specifically excluded "enemies of the state" ; indeed, the fact that Mr Oatis heard nothing of the amnesty before he reached freedom suggests that its proclamation had little impact on the community of political prisoners.

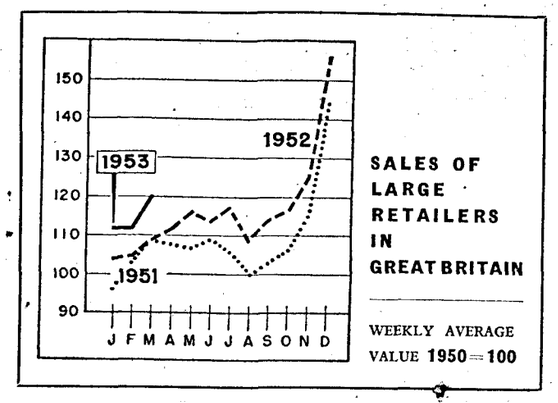
The prisoners of Prague, moreover, had apparently heard nothing of the execution of Slansky or the death of Stalin. After two years of such insulation, it was hardly surprising that, faced with a barrage of questions immediately after his release, Mr Oatis preferred not to discuss at once the "confession" made at his trial. His cautious statements have now been seized upon by the Communists as tantamount to an admission of guilt. This seems, to say the least, a rather hasty conclusion, and it will perhaps be worth waiting to hear what Mr Oatis has to say when he has got his breath back and seen—probably for the first time—the full text of his "confession."

German Aircraft Plans

IT is generally assumed that Germany could never build an arms industry without the help of western capital, because of the enormous cost of modern weapons. But a speech made this week to the club of the Ruhr industrialists and bankers in Duesseldorf by Professor Messerschmidt should serve as a useful reminder that the Germans may still be capable of confounding such logic. According to a report in the *Frankfurter Allgemeine Zeitung*, the famous designer told his audience that production of aircraft could start without much time for running-in, and without too great initial cost. (A figure of £5 million to £7 million has been mentioned elsewhere.) Preparations had already been made for the day when the present ban would be raised. Professor Messerschmidt mentioned as one step—which is only part of the intensive work that has been going on in German designing rooms and scientific research institutes for some time past—that he has a contract with a foreign aircraft manufacturing firm by which his new inventions and new designs are put to practical tests. The German aircraft industry could take over these inventions as soon as it started operations.

In spite of destruction by war and dismantlement, declared Professor Messerschmidt, a new German aircraft industry could soon reach the level of foreign countries. The foreign lead was only a slight one and the Germans could make use of the experience of other designers in the last few years. Construction under licence, however, was only a temporary solution. "In a short time a completely new German machine could be built." The Professor pointed out that, as a start, Germany would construct sport and small civil transport aircraft ; at the same time, it would prepare the ground for building large four-engined civilian aircraft using the best elements of all foreign machines. The next aim would be to construct an "entirely new" large type of machine that would cross the Atlantic at supersonic speed in three hours.

Finally, Professor Messerschmidt forecast that the German industry would be able to produce more cheaply than foreign countries, and would enter the export market in a big way. One point which he does not appear to have dealt with was the vital question of aircraft engines. But here, too, it can be assumed that the Germans will not be content to be dependent upon the British or other foreigners. At present, Rolls Royce Nene and Derwent engines are being imported into Argentina for use in prototype machines that have been built under the direction of the German designer, Kurt Tank. Professor Messerschmidt may have some similar arrangement, or he is perhaps associated with the same enterprise as Herr Tank. In any event, the engines that Herr Tank is using are not very important by present standards, and will not satisfy any ambitious new German industry.



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Parliament AND THE PRESS

BOTH SIDES SPEAK

DURING the debate in the House of Commons on Friday, which led to the withdrawal of the Press Council Bill, May 8, 1953, striking tributes were paid by both Tory and Socialist M.P.s to Lord Beaverbrook and his newspapers.

MR. TOM DRIBERG (Soc., Maldon):

I am with the hon. Member in what he says about sensationalism, and I said something similar in my speech. But since he has mentioned the Sunday Express and at the same time has said that mass circulation cannot be obtained without sex sensationalism, surely he will agree that the Sunday Express is one paper which has shown that mass circulation can be achieved without these sordid contents?

MR. BEVERLEY BAXTER (Con., Southgate):

I am grateful to the hon. Gentleman for mentioning the Sunday Express. Whatever charges may be made against the Express newspapers for being too harsh, or too critical or anything like that, there are one or two things about them in respect of which I am very proud to be associated with them. One is that we may say anything against Lord Beaverbrook, and it is published. He would never side-step anything said against him. Another thing is that with his background of the manse—which has produced some very great financiers—he has said, **"We will publish lively newspapers and vigorous newspapers, and papers which appeal to the popular taste. But we will not go in for pornography."** And I am proud to have been associated with him throughout his career.

HANSARD EXTRACTS FROM PRESS COUNCIL DEBATE

Letters to the Editor

Suez Canal Zone

SIR—I imagine that although Britain saved Egypt from becoming a German vassal it is alleged she is still owed a sum in the neighbourhood of three hundred million pounds, possibly more.

Why not strike a financial bargain—Britain to vacate the Canal in exchange for cancellation of all indebtedness?

In an atomic age the ability to defend such a spot as this is highly problematical so why not cash in and at the same time effect a real cut in our overseas payments—it would be interesting to observe Egypt's reactions to such a proposal.—Yours faithfully,

Amersham N. G. HOGARTH

[Egypt's actual sterling balance is now down to £187 million.—EDITOR.]

The South African Attitude

SIR—On several occasions during the last few months you have carried rather scathing articles relating to the traditional attitude of the average South African towards the African native. It is a fact that not one of the serious riots in the Union of South Africa took place in an area where native affairs were being dealt with by Afrikaans-speaking people. In the centres where these riots occurred, the communities were predominantly English-speaking and as such, had an uncertain approach to what is generally called the traditional South African point of view.

It is also a fact that there is a big concentration of Afrikaans-speaking farmers in the Thomsons Falls area of Kenya. Although the Thomsons Falls area has been subjected to extensive Mau-Mau activities, not a single Afrikaans-speaking farmer has been attacked, while English-speaking farmers over a wide area have suffered.

Does this not indicate that the personal attitude of the Afrikaans-speaking South African towards the African is such that a situation of trust and respect is developed? As a result of having been born and bred amongst the peoples of Africa for generations, the average Afrikaans-speaking person knows exactly where he stands in his personal relationship with the African. This also applies to English-speaking people who have been here for several generations. Can it be that the old fashioned but traditional attitude represented particularly by the Afrikaans-speaking people is more successful with the average African than the more idealistic approach that you seem to favour?—Yours faithfully,

P. E. ROUSSEAU

Sasolburg, OFS

Will M. Pinay Return?

SIR—The author of this article is woolgathering. "In many communes the complex system of proportional representation will necessitate a second ballot"! The second ballot takes place only in those communes that do *not* use proportional representation, and one glance at the second ballot results will show that this is so.

Starting at the beginning of those results as printed in *Le Monde* of May 5th, it will be seen that each of the first eight communes has elected a council consisting entirely of one party (17 to 23 seats), and the same clean sweep recurs frequently among the other results. Even in the absence of any figures for the votes cast, it should be perfectly obvious that there is nothing proportional about this.

The second ballot does not give a proportional result and is not intended to. It is simply a clumsy form of the alternative vote, whose function is to give representation only to an absolute majority of the voters in any constituency, not to share representation proportionally between majority and minority.—Yours faithfully,

London, S.W.1 ENID LAKEMAN

Culture under Survey

SIR—The charts with which you illustrate the Unesco pamphlet "Basic Facts and Figures" serve only to emphasise the dangers of putting overmuch reliance on statistics issued by that organisation.

One at least of the figures quoted in the pamphlet is a gross over-simplification. A total of 12,244,000 is given as the "number of radio receivers" in the UK at March, 1950. This figure is at least 2 million in error, and is in fact not what it says but the number of broadcasting receiving licences current, a very different thing. It does not include either those sets (certainly more than a million) which ought to be but are not licensed, or "second" sets (at least another million) which do not require a separate licence. Further, a footnote adds that this figure includes licences for television sets, which suggests that without TV the total would be smaller. In fact it would not: virtually all TV owners have ordinary sound receivers as well, which are covered by the TV licence.

It is true that a preamble to the Unesco table states that the figures quoted "often fail to account for all radio receivers in use." But a statistician cannot absolve himself from the responsibility for publishing a figure known to be false or irrelevant by slipping in a footnote to that effect: his duty is to make a reasonable estimate or, if his knowledge of the background to the statistics is inadequate for this purpose, to keep out of print. This is all the more necessary when, for example, the enormous United States figure is shown as an estimate with no indication whatever of who made the estimate or on what it is based.

By any reasonable standard, the figure shown in your chart for the United Kingdom should be nearer 290 sets per thousand inhabitants than 240.—Yours faithfully,

London, W.1 HARRY HENRY

★

SIR—The charts showing the competitive position of various countries in the race for literacy and culture flatter the reading inhabitants of the United Kingdom. The London publishers do in fact publish more titles than their friends of Paris and New York or of any other city. But this is not because the people of Britain read more books.

Australia and South Africa have modest places in your chart, yet they import many books from London and export hardly any. The London publishers' market is, however, much greater than the Commonwealth. It includes Europe and overseas countries such as Egypt. London (and not New York) is able to be the book cultural capital of the world because of the world-mindedness of several of the London publishers, because the London prices are cheaper, and because there are more books to choose from.

Indeed, as Unesco charts show that the inhabitants of the British Isles go to the pictures and read the newspapers more than anyone else, and more than they should, how could they find time to read all their books?—Yours faithfully,

Brentwood, Essex MAX KENYON

Indianization for Foreign Firms

SIR—Your correspondent's admirable analysis of this problem makes clear the need for India to "hasten slowly" in this matter (as in the matter of industrialisation itself) if the long period national gains in quality are not to be sacrificed. This need becomes even more imperative in view of the educational changes in the country in recent years. That there has been a steady decline in educational standards at every level, is being deplored on all sides. Recent legislation affecting the autonomy of universities, and the reported intention of the government "to dispense with insistence on university qualifications for service employment" have come as a great shock to all concerned with quality. In a land of fifteen per cent literacy, how else are the standards indispensable for high level jobs to be ensured except through academic avenues?—Yours faithfully,

NW1 SHANTHI RANGARAO

Books & Publications

The Challenge of Productivity

WE TOO CAN PROSPER.
By Graham Hutton.
Allen and Unwin. 248 pages. 12s.

THE despatch of observers to study American industrial methods is a recurrent British habit that is said to date from the middle of the last century; in this book, Mr Hutton quotes one report issued by a British team nearly fifty years ago. But the teams set in motion by the late Sir Stafford Cripps and Mr Paul Hoffman in 1948 enjoyed great advantages over their forerunners. They were picked experts in the particular industrial techniques that they set out to study; their path was made smooth in administration and finance by that remarkable organisation, the Anglo-American Productivity Council, which also assured them of the widest dissemination of their conclusions on returning home; and they had to hand improved yardsticks for industrial comparisons. The particular yardstick that most of them used, and which their reports made famous, was the comparison of productivity (expressed almost exclusively in terms of labour productivity) between similar industries in the United States and Britain.

These comparisons are significant, and undoubtedly dramatic. Moreover, they have had the power to fire the imagination—and sting the self-esteem—of people throughout industry. Since the war, several themes have served their turn in economic exhortation; productivity is almost the only one that retains its meaning—and its challenge.

This challenge of productivity, its inner promise—and, by contrast, the penalty if it should generate insufficient response—form the theme of Mr Hutton's book, and never have they been so effectively and succinctly expressed. He accepted the unenviable assignment of crystallising the general implications, within Britain's straitened situation, of the 66 productivity teams' reports, in a form that the ordinary citizen could appreciate and that a committee representing both sides of industry could broadly support; and he has carried it off with remarkable success. The result, Mr Hutton suggests, is "something between the report of a special inquiry and the statement of a personal view"; the compromise, it may be added, has produced a trenchant and readable essay in persuasion.

Its theme is starkly outlined; then limned with detail. American industrial productivity per man-hour, Mr Hutton points out, is today from two to five times that in Britain or Western Europe; fifty years ago, he believes, it was roughly the same. But there is no peculiarly American "secret" of high industrial productivity; the familiar principles and practices behind it can be carried out "just as productively" in any other country, given the will and the flexibility within industry.

Mr Hutton looks at the succession of Britain's "ten per cent crises" since the war and concludes that "the rise in industrial productivity required to solve Britain's chief social and economic problems" is about 10 to 15 per cent within two to three years; and that, he holds, is more feasible in Britain today than in America. Even in default of more extensive re-equipment in British industry, this short-term rise in productivity can readily be achieved by reorganisation of work, "without any extra strain on Britain's resources, human and non-human," given the maximum co-operation between management and labour.

Some reservations about international comparisons should perhaps be entered. Although labour productivity is one useful meter of a country's "industrial climate," it is an incomplete measure of industrial efficiency, since it ordinarily measures output in physical terms against only one factor of input. Total costs, for example, would be a more ideal index; so would profits, if only these could be made both true and comparable. All estimates of the long-term curves of comparative productivity in manufacture do not tell the same story. Some suggest that American labour productivity considerably exceeded British as early as the seventies, and these may indicate a need for more research into the alternative costs of different factors of production as a significant factor in transatlantic comparisons.

The conclusion, again, is provocative—deliberately so. Not all who accept Mr Hutton's "recipe for the millennium" as a task to aim at would be as hopeful that "all the ingredients of that recipe . . . could be met" from a 15 per cent rise in productivity in three years, followed by "a programme for the substantial expansion of productive capital apparatus per worker." As the paradoxes of last year emphasised, many external influences must always affect "the solution of Britain's chief economic problems"; the book, indeed, explicitly recognises this. One of its conclusions, moreover, is at once unquestionable and of surpassing importance: "unless the rise in productivity occurs, every one of Britain's strategic, political and economic problems must become more intractable." No more effective single presentation of that blunt fact to the British people is likely to appear.

A Timely Study

BRITAIN AND THE UNITED STATES: *Problems in Co-operation.*
Royal Institute of International Affairs.
224 pages. 8s. 6d.

CHATHAM House's report on Anglo-American relations could hardly have come out at a more opportune moment. Relations between Britain and the United States are never static; their temperature rises and falls with events. Unfortunately, the extent to which they are reported to have deteriorated during the past few months has been amply emphasised during the past fortnight.

This report is a brave attempt to present, in as fair and friendly a spirit as possible, the complex attitudes and emotions which may provoke explosions like the present. It is a joint report drawn up by groups of the Council on Foreign Relations in New York and of Chatham House. Twenty-one Americans and fourteen Britons have here agreed on what are the main differences in the two points of view on foreign affairs and the reasons for them. No one could imagine that the task was easy. Indeed, if there is to be criticism of the result, it is that so much effort was made to bring out a joint report; the need to compromise has clearly removed the sting. "Not every member agrees with every word. . . . But all are satisfied that it represents a general consensus." For so turbulent a subject, the result is thus a trifle flat.

That being said, the authors and sponsors of the report have proved that they can be relied upon to produce a workmanlike survey, and it would be no bad thing to make it compulsory reading for transatlantic travellers. The report starts with a general statement of views. For instance: "Because of the great preponderance in strength of the United States . . . the British . . . regard their relations [with it] . . . on an entirely different footing" from those with other powers; the Americans "do not and cannot see their relations . . . in exactly the same light." Moreover, methods differ; in general, "the British favour secret diplomacy, the Americans open covenants openly arrived at."

Then, the authors deal with specific problems by giving the British and American approach to each. They include relations with Russia and with Uno, problems of general and economic policy, Western Europe, the Mediterranean, the Middle East, South and South East Asia, and the Far East. Not the least valuable aspect of the report is the brief summary it provides of developments since the war in each case; the chapter on Western Europe is one of the best.

Anglo-American differences on these

subjects may be always with us. But, as the survival of the free West depends on their being kept within bounds, this careful appraisal is itself a welcome and worthwhile contribution to removing them.

Good Rough Usable Economics

ECONOMICS FOR YOU AND ME.
By Arthur Upgren and Stahrl Edmunds.
Macmillan Company, New York. 246 pages. $4.00.

WHETHER the pattern of economic science laid up in Heaven is a deductive discipline—an elaboration of the pure logic of choice—or an inductive study—a natural history of observed human behaviour—remains an unsettled question. Academic syllabuses are apt to embody the first alternative; the man in the street undoubtedly prefers the latter. The authors of this book have set out to give the man in the street part, at all events, of what he wants.

"Economics for You and Me" does not come within shouting distance of being a comprehensive natural history of the American economy, let alone of the economic order in general; it is almost exclusively concerned with macro-economics, with the magnitudes of the national income and its major components, and hardly at all with such equally factual matters as business organisation, wage determination, or the distribution of personal incomes. Within its limited scope, however, it is singularly—indeed uproariously—successful. Its style may be illustrated by the following quotation concerning the statistical determination of the Gross National Product: "Instead of throwing all the stuff on a big pile, they measure the output of America in dollars. This is a good idea. It saves everyone a lot of trouble. But it also louses up the works." It administers to the professional reader a series of salutary shocks as one esoteric point after another is hammered home in terse and homely metaphor. (The parable of the consumer in his bathtub—typically illustrated by a doodle of a bald but hairy-chested individual wielding a bath-brush—is particularly highly recommended; it deals faithfully with that piece of mystification the Accelerator.) It imparts that first necessity of realistic economic thinking, a sense of statistical proportion. It is, in fact, admirable. To find an English equivalent, one would have to imagine a harmonious collaboration between Mr George Schwartz of the *Sunday Times*, the Old Codgers of the *Daily Mirror*, and the draughtsmen of the late Bureau of Current Affairs.

Admiration is not quite unqualified. Even American readers may find such determined folksiness, such relentless high spirits, hard to take through 250 pages. Occasionally a metaphor takes the bit between its teeth and bolts into utter confusion. More frequently, some massive unsolved problem is treated not even by looking it firmly in the face and passing on but by a quick, now-you-see-it-now-you-don't, verbal pirouette. The argument abounds in rough-hewn first approximations, sometimes conscientiously labelled, sometimes masquerading as established and sufficient truths. The authors nevertheless deserve hearty congratulations on having produced, in their own words, a "good, rough, usable economics" for a public which would apathetically shun the subject in its usual subfusc dress.

The British Museum's Progenitor

SIR HANS SLOANE AND THE BRITISH MUSEUM.
By G. R. de Beer.
Oxford University Press. 192 pages. 18s.

HOW many people know that Sloane Square and Sloane Street commemorate the virtual founder of the British Museum, Sir Hans Sloane (1660-1753), a Scots-Irish physician from County Down who won fame and fortune in London? This year is the bicentenary of his death and that of the British Museum's birth. In his will Sloane projected a national museum, with his large collections of natural history, antiquities, and books as its nucleus. Parliament sanctioned in 1753 a scheme embracing the acquisition of Sloane's private museum for the nominal sum of £20,000. The natural history section was transferred from Bloomsbury to South Kensington in 1881. This urbanely presented account of Sloane's career and the origin of the world's greatest museum is by the Director of the British Museum (Natural History).

Sloane emerges from Dr de Beer's survey as a very human specimen, illustrating the high degree of scientific distinction attainable by a man endowed with nothing more extraordinary than an alert mind, shrewd common-sense and application. His very long life—he was ninety-two when he died—adds much to the interest of this commemorative tribute. A Fellow of the Royal Society for the record period of 68 years—14 as president—he was in touch with eminent men belonging to widely separable eras: Wren, Pepys and Newton; Benjamin Franklin and Horace Walpole. In his last years Sloane was acquainted with Thomas Martyn, the botanist, who died as late as 1825.

Sloane's range of scientific interests typifies that of the seventeenth century savant. In 1687 he sailed to the West Indies as physician to the Duke of Albemarle, Governor of Jamaica, where he spent fifteen months. The experience introduced him to enthralling field-work in a new world of fauna and flora. It also inspired a health food, "Sir Hans Sloane's Milk Chocolate," which enjoyed more than a passing vogue.

This book, a series of short essays rather than a narrative biography, contains many interesting ana. The "fascinating power" ascribed to venomous serpents was investigated in the garden of the Royal College of Physicians where a helpless dog was confronted with a live rattle-snake. There was a dramatic sequel to the wetting which Sloane's herbarium at South Kensington suffered owing to a fire caused by an air-raid in 1941. The Keeper of Botany "observed an outgrowth over an inch long from one of Sloane's seeds which must have been two-and-a-half centuries old." This constitutes a record for calendar-dated germination to add to that created by Sloane's 68 years with the Royal Society.

Problems of Liberalism

FREEDOM: A NEW ANALYSIS.
By Maurice Cranston.
Longmans. 177 pages. 12s. 6d.

"WORDS," said Hobbes, "are wise men's counters, they do but reckon by them; but they are the money of fools . . ." The author of this little book, like Hobbes, uses techniques of verbal analysis to deflate the pretentiousness of metaphysicians and obscurantists; but he is never mesmerised by the analysis of words. He exposes real difficulties and incoherences in the liberal tradition and is not embarrassed about making clear where he himself stands.

In the first of the book's three sections the author maintains that the word "freedom" means absence of constraints but that it is always incompletely descriptive until the absent constraints are specified. As voters we may be moved by the injunction "Set the people free," but as philosophers we must ask for further information. The second sec-

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tion deals with ambiguities in the liberal tradition. There is no one sort of liberalism because, as was shown in the first section, there is no one sort of liberty. English liberalism became gradually identified with the Locke-Mill tradition of the minimal state. French liberalism, on the other hand, came to rest on a positive conception of liberty deriving from Rousseau; in this liberty was seen as something to be realised through the state on the model of the *Landesgemeinde* cantons of Switzerland rather than on that of the constitutional monarchy of England. In Germany, the *Naturrechts* tradition culminating in von Humboldt was swamped by *étatiste* liberalism imported from France, in which nationalism and metaphysics combined to eliminate the individualism and exalt the *étatisme* of the French tradition. In America "liberalism" meant first of all democracy in church and state government; then augmented government on the Rousseau model to bring about democracy and equality while retaining *laisser faire* in economics; and finally the "liberalism" of the Left—a term whose emotive meaning has been reversed and whose descriptive meaning has been radically altered.

This section, though it inevitably oversimplifies historical development, is clear, ingenious, and forceful. The third section deals neatly and clearly with various facets of the problem of the freedom of the will which have been clarified by modern philosophers. The author refutes the suggestion that the problem is unreal, discusses its relevance to ethical questions of praise and punishment, and enters boldly into the controversy about the possibility of predicting human behaviour. He ends, rather hesitantly, on the side of the libertarians.

The main value of this book is that it brings to bear modern techniques of analysis on ancient problems, in a way which the non-specialist can understand, without distorting either the problems or the techniques. In so doing, however, the author overburdens the book with records of what others have said. Perhaps this is because the first and third sections were originally part of a B.Litt. thesis; perhaps it is because the author is more conscientious than most in recording his indebtedness to others. Whatever the explanation, the result is too often like the summing up of a competent chairman. Although the philosopher has been compared to a judge, to a pontiff, to a journeyman, and to a psycho-analyst, he has not yet been compared to the chairman of a committee of experts; and one would like to see the author's independent comments developed in more detail. For they are often ingenious and interesting, and it would be refreshing to consider a more detailed treatment of the problems of liberalism by a liberal as convinced, cautious, and clearheaded as Mr Cranston.

The Imperial Tradition

THE CONCEPT OF EMPIRE; BURKE TO ATTLEE, 1774-1947 (*British Political Tradition Series*).
Edited by George Bennett.
Adam and Charles Black. 434 pages. 18s.

AMONG the many things Mr Gladstone did say in 1878 was this: "the sentiment of empire may be called innate in every Briton . . . [it is] interwoven with all our habits of mental action upon public affairs." So ingrained, indeed, is the imperial tradition that it has been left to a Dane and some Americans to point out its importance in British political thinking. Thus a book which allows us to hear what Britons themselves have said about empire during two centuries makes fascinating reading. Here speak the Broughams and Cobbetts, who held colonies to be worth nothing, and the Salisburys and Chamberlains, who feared that, without them, England would never survive; those who gloried in the empire on which the sun never sets—and those who retorted bitterly, "in our alley it never rises."

Nevertheless the book falls short of its title. In his somewhat muddled introduction, the editor has hardly anything to say about different ideas of empire, and there is more than a hint that his own concept of it is restricted to colonies coloured red on the map. The passages selected as a result are almost all from statesmen talking about the formal empire, and they are better illustrations of periods of so-called "separatist" and "imperialist" opinion than of changing concepts of empire. A collection of opinions that are narrowly about colonies and colonisation in the strict constitutional sense provides a lopsided view of the modern imperial tradition, because it refers to only one element in it.

Within that tradition since mid-Victorian times two concepts of empire have been continually at war: a legalistic notion of an empire bound together by formal constitutional ties and a measure of central authority, making, actually or potentially, a viable, organic whole; and a broader idea of an empire held together, not by authority, but by invisible bonds of good will, trade and mutual advantage and by informal British paramountcy—an empire thought of, not as a whole in itself, but merely as a part of the total pattern of British overseas trade. The first is easily recognised as mercantilist in origin, and the second is obviously a free traders' approach to empire. The one inspired Gibbon, Wakefield, Disraeli, Seeley, Rhodes and Chamberlain, while the other moved Cobden and Gladstone, Bright and Morley.

What has not been recognised is that both concepts are equally imperialistic. In this book the advocates of the liberal idea are misnamed "separatists" or "anti-imperialists." Although they pinned their faith on informal ties of association wherever these could be relied upon, they nevertheless believed in the necessity of empire as an auxiliary of commerce. Few advocated the separation of the Indian empire or opposed the extension of an invisible British empire in China, Latin America and the Middle East. It was Goldwin Smith who remarked that even if Canada were made an independent nation, it would still remain a colony of England. It is because this book misses the importance of the concept of informal, commercial empire that it provides only a partial introduction to the subject.

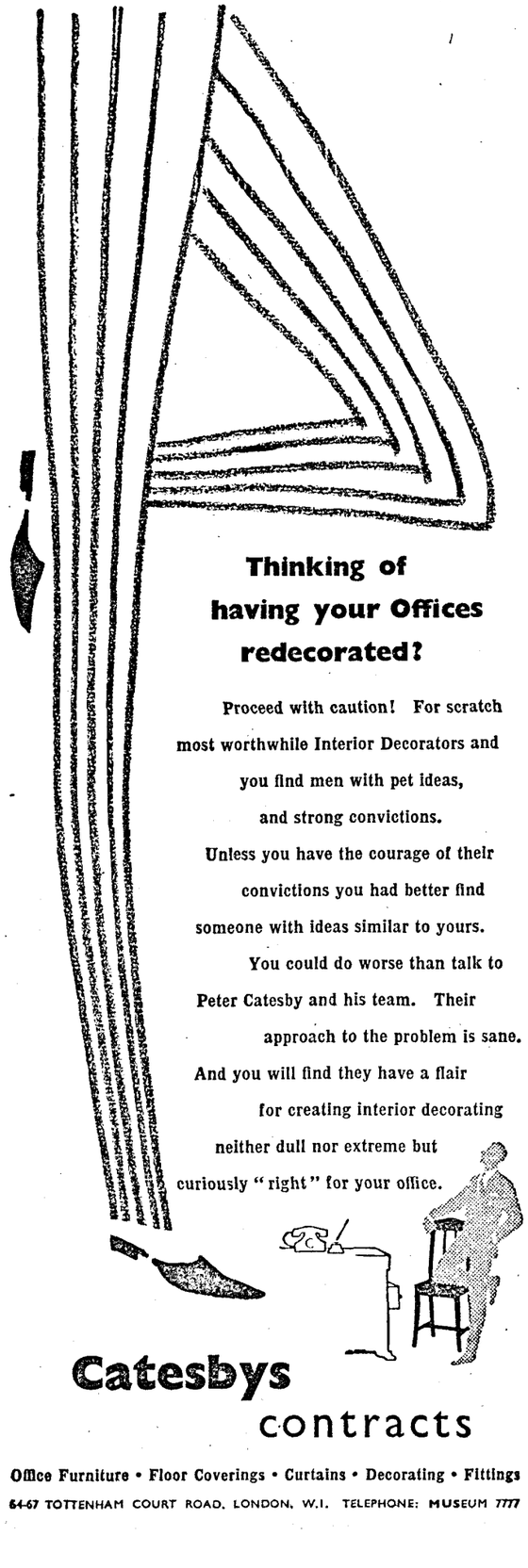
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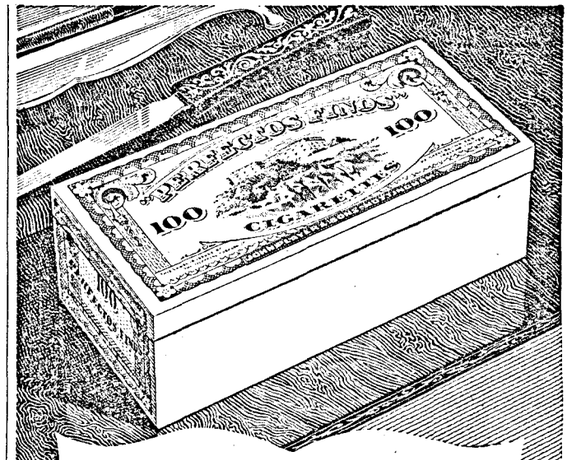
CITIES AND MEN.
Sir Harry Luke.
Geoffrey Bles. 252 pages. 25s.

THIS is the first volume of an autobiography and covers the years from 1884 to 1914. In it, Sir Harry Luke establishes himself as one of the most inveterate and charming travellers of his generation. Known most recently for his work as the King's representative in the far Pacific, Sir Harry has done many jobs in many different parts of the globe. But he started life in London and it was in the measured stateliness of Hapsburg Vienna that he first wandered abroad. There, in the *kaiserlich königlich* atmosphere of his mother's native Austria, he learned to note and remember people, incidents and stories.

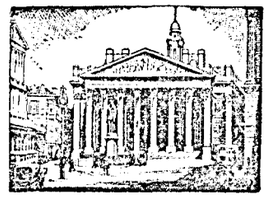
Enriched by his own erudition, his observations are never dull. It is easy to travel on with him as he goes to Italy, France and Greece, to the United States and Canada in 1903, to the countries of the Middle East and above all to "the enchanted island," Cyprus. From all these lands he draws the best of travellers' tales. Anyone who recalls the world as it was in the early years of this century will enjoy seeing it again through his eyes. For those who do not, Sir Harry is a rich source of delightful information.

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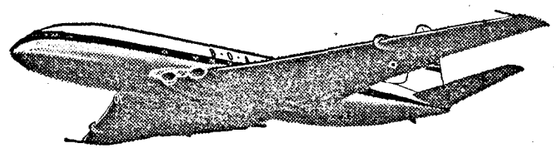
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American Survey

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Between Churchill and McCarthy

Washington, D.C.

SUDDEN transatlantic squabbles are not unusual enough to justify treating the one that developed last week too seriously. But, under existing circumstances, neither should it be treated too lightly. It is, after all, impossible to tell for certain how the Anglo-American alliance—or, for that matter, the alliance between the United States and the rest of the Nato countries—is going to fare under a Republican regime. For that reason, all indications of strain must be watched with some anxiety. Indications of strain have been visible in Washington for some time, as they apparently have been in London, and the speeches of the Prime Minister and the Leader of the Opposition at Westminster were only the occasion, not the cause, of the strange outburst in the United States Senate.

The system of alliances built up by the Democratic Administration—and, in particular and for particular reasons, the alliance with Britain—have always been alliances between the Executive and foreign countries. Their greatest strength has often arisen from intimate consultation and exchange of ideas between officials on all levels rather than from public announcements of solidarity. Congress has never taken a very active part in these alliances but, at least until now, the vocal opposition to them has come from the minority party. Last week's performance in the Senate came from what is now the majority party, and it provided a disturbing illustration of the problems that face a Republican President who wants to maintain the alliance with Britain as well as to cement one with Congress.

President Eisenhower, after all, has had plenty to say, since his inauguration, on the desirability of an improvement in relations with the Soviet Union and on the methods by which it could be achieved. On February 25th he announced that he would meet anybody anywhere if he thought there was the slightest chance of doing any good. And a week later, after it was known that Stalin was ill, he repeated that, if there was any way to promote the cause of peace, there was no personal sacrifice that he would not make.

A month later he made his famous address to the American Society of Newspaper Editors ; Senator Wayne Morse, during last week's debate, said that he had welcomed it but regretted that it was not being implemented :

> It does no good merely to announce the great principles of the President's speech. . . . We ought to undertake some international negotiations with the foreign ministers of the free nations.

The Senator was only saying publicly what many people have been saying privately in the last month. When the President's speech was studied at leisure it was seen to contain a number of sentences that were out of character with the main body. Among the prerequisites for a real peace that he mentioned were free elections in a united Korea and the full independence of the East European nations, conditions desirable in themselves but utterly remote from any realistic hope of successful negotiations. The absence of any attempt to follow up the speech has spread the suspicion that the whole occasion was no more than a field day for the psychological warriors. If not, some people are asking, why was the Prime Minister's speech in the House of Commons not recognised as an invaluable next step ?

After the President's speech of April 16th, he had only to wait 24 hours for the typically Churchillian phrase of welcome—" massive and magnificent." But he himself delayed three days before a question at his press conference elicited the answer that he had no objection whatsoever to Sir Winston's proposal for a high level meeting but that he must have indications of good faith before he could commit the United States to participation. This seems a somewhat ungenerous response from the General Eisenhower who is so familiar in Europe and it can only be explained by the delicacy of his relations with Congress.

★

Mr Eisenhower's decision not to be a " strong " President and fight Congress for what he wants, as the two Roosevelts did, has done nothing yet to make these relations easier. On the contrary, his determination to be a " constitutional " President, and let the Congress wander where it will, has got him into trouble with all those who seem to be inciting him, consciously or unconsciously, to quarrel with his legislators. It is said that, after one of his early press conferences, he demanded angrily why the reporters seemed bent on getting him into a row with the Senate by asking him to comment on some aspect of Senator McCarthy's current behaviour. And lately it has been the British who have made it hard for him to live in peace with Capitol Hill. They tactlessly persist in being the lowest bidders for electrical equipment required by the army engineers, they ask for more than pious platitudes about the expansion of world trade and now they are carrying his own statements a little too far for his present comfort.

It should be remembered that the situation at the moment is being made particularly difficult by the tactics of the McCarthy group in their careful, but determined, campaign for power, enough power to get the Republican presidential nomination in 1956. The President must endeavour to whittle away their strength by raising with them only issues on which they will draw support from no more than a hard core of the party. An example was the argument over the appointment of Mr Bohlen to the Moscow Embassy and the hard core remained uncomfortably large. No further reduction is likely to come until Mr McCarthy seems to be facing final defeat, so that even those who now seem eternally faithful decide that the time has come to run for cover. The Senator's strategy, on the other hand, is to find issues on which he can appeal to the prejudices and emotions of a majority of his party.

British perfidy is just the kind of topic in which Mr McCarthy revels. When he can say that Britain is " trying to blackmail us into accepting armistice terms that mean defeat " and then assert that " the United States should tell Britain to withdraw her troops from Korea and follow that up by sinking any merchant ship carrying material to Red China," he not only gets a burst of applause from the public gallery. He also gets the support of a sizeable number of middle western Senators who know on which side their electoral bread is buttered. The misreporting of Mr Attlee's speech last week gave the Senator an excuse for one of his performances but he hardly needed the excuse. He could have given of his best, on the basis of his investigation of British shipping, even if Mr Attlee had never spoken at all.

Mr McCarthy's gradual move from the domestic to the foreign field in his investigations is no accident. He has still some months in which to make hay at home among government employees appointed by the Democratic Administration but, by the time the congressional elections of 1954 come along, no Republican will appreciate him if he is still finding Communists in Washington. But Communists in the governments of allies will always be useful discoveries ; they will have the added attraction of durability because it is unlikely that the British or Canadian governments will dismiss their employees at the Senator's behest. A man who has been successful in creating doubts about the loyalty of General Marshall in the minds of quite a number of Americans would not shrink even from the task of proving that the Prime Minister is a Communist agent. It will be interesting to watch his progress over the next few months, and also the progress of the Administration in its attempts to corner him. As long as he is loose the Anglo-American alliance will continue to suffer and the President will suffer too for trying to give it substance.

Self-Pushing Buttons

FROM A SPECIAL CORRESPONDENT

ALMOST before this new half-century had been dubbed the push-button age, the name was out of date. Buttons to be pushed or turned for the releasing of electric energy which would then set machinery in motion to sweep floors, dig ditches or weave new winter suitings had in fact been commonplace for decades, but they had to be pushed by men. What really marks the nineteen-fifties are the buttons that push themselves, the self-regulating controls, the automatic factory, even the automatic industry. But it is easier to talk of robot factories and push-button wars than to grasp the intricacies and implications of feedbacks, servo-mechanisms, thermocouples and binary systems.

Meanwhile the problems multiply and the progress already made seems far too slow for those who know what can be done. Dr Wassily Leontieff of Harvard said recently that to make all the new plants built in the United States in 1950 as fully automatic as existing knowledge would permit would have required some $600 million worth of control instruments. Instead, only $67 million worth of such instruments were made in that year, which seems to mean that even in new factories only about ten per cent of the possible degree of automatic control is being installed. That is not, however, due to lack of interest on the part of industry. Much of the best work now being done is for the government, and is kept secret for political and security reasons. Things which can be advertised, such as Univac, the electronic computer, are immediately hailed as bringing the United States nearer to that heaven in which machines do the work and men can go fishing.

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The Ford Motor Company has just opened in Cleveland what is described as the first automatic factory in the automotive industry where, it is claimed, electronic devices enable 250 men to turn out twice as many engines as 2,500 men could make in a factory of the older type. Remarkable as that record is, a factory which requires 250 men for its operation has not yet reached the fully automatic stage ; it is commonly predicted that this will not happen for five or ten years. But large sections of the communications industry are already self-controlled. In metal working, in the production and distribution of electricity and gas, in machinery manufacturing and in the chemical, petroleum, ceramic, textile and food industries great strides have been made in the past two years in the use of instrument control. The unattended oilfield, the electricity generating station, the " cat-cracking " plants which have revolutionised petroleum refining, have become familiar sights, working quietly along with only an occasional man to check the dials.

Even in offices which seem better supplied with workers than are many industrial operations, electric typewriters, accounting machines, electronic counters, sorters and computers and microfilm file systems are beginning to help in the task of dealing with the ever-mounting paper work which accompanies this new phase in the continuing industrial revolution. These machines need not be bought: some of them work so much faster than is necessary in the ordinary office that their makers set up service units where firms can bring computation troubles, or a month's bookkeeping to be done in a day. A new electronic typewriter is said to be able to type five million names in six hours. An increasing number of corporations handle by electronic process the whole job of sending quarterly dividend cheques to shareholders, and on the other side of the counter the Bureau of Internal Revenue is cutting down with electronic help the lag in checking income tax reports. The Census Bureau, which collects valuable information every ten years but has been unable to collate and release it until it was out of date, is now supposed to be so well equipped with electronic aids that it could handle a census every five years.

Only an electronic engineer can understand the processes involved, and say whether they represent a revolution or merely improvements of things already known. For the lay mind, prepared in an age of atomic and hydrogen bombs for almost any departure from accepted reality, this substitution of control by ion for control by man looks like a logical development of the production-line technique which Henry Ford started in 1909. Ford employed mechanical and electrical devices to carry the work along, but left their control in the hands of men who pushed buttons and pulled levers. This newest step moves the work along by automatic controls. Men now feed their orders for this width of sheet steel or that balance of crankshaft into delicate instruments which in turn push the necessary buttons for the pulling of the necessary levers. These instruments, which measure size, temperature and speed as they go along, do their work without human hesitation, and as fast as light. Very expensive to instal, they are put in for the always valid American reasons that they increase accuracy, cut waste, reduce labour costs and speed up production.

So intricate are the instruments, so much do they appeal to man's love of magic, that it is necessary to add that they do not " think," nor will they ever free all men from work. They are expected to bring about changes in the composition of the labour supply, by decreasing the already shrinking number of unskilled jobs, and adding to the dial watchers and repair men. Engineers must still design the instruments which control the machines that make the end products. They are already planning the factories in which these instruments will perform their various controlling functions in properly related sequence. Ideally the process should reach the point where a self-controlled shovel will bite into a hill of iron ore at the start of an automatic process while fully equipped motor cars pour out at the end. " Automation " in the distributive trades would then take over.

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What all of this will do to people is the question that interests political economists. A long procession of mechanical aids has helped to shorten the average American work week from 67.2 hours in 1870 to 42.5 hours in 1950. Part of the leisure thus acquired has been spent on education meant to equip the American people for life under the rapidly changing conditions around them. With creaks and strains the pace of education and the pace of invention have more or less kept step ; in their optimistic moments most Americans do still feel themselves to be the masters of their fate, even though it includes television sets and income tax computed electronically.

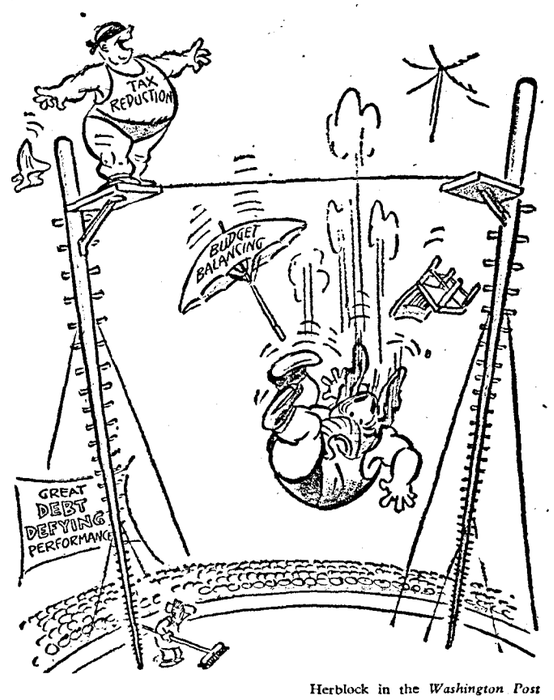
But those who go to backward countries to instal great automatic machines for exploiting natural resources amid mediæval social conditions find the opportunities for trouble even greater than when spinning mills were first set up in India. The dweller in an industrial society who throws a monkey wrench at the control panel knows what he is doing. The Brazilian Indian who sees an integrated steel plant rise in his native forests, the Arab beggar who watches an oil refinery take the place of a desert mirage—these people can neither comprehend the mechanisms nor cope with the resultant economic changes. " Automation " in countries not previously industrialised may free people from ancient drudgery or it may prove the handiest tool yet come to the slave-driver's hand.

American Notes

Budget Balancing

PRESIDENT EISENHOWER'S broadcast to the nation on Tuesday told the businessmen who have been calling the tune for his Administration that the time had come for them to pay the piper. The President recommended that the excess profits tax should be extended for six months, to the end of the year, and that the reductions in corporate income taxes and in excise taxes, scheduled for next April, should be repealed. He also, however, recommended that the social security tax paid by wage earners should not be increased as expected next January and that

"Ready For Me, Partner?"



Herblock in the *Washington Post*

the reduction in personal income taxes planned for the same date should be permitted. Since there are far more individual taxpayers in the electorate than there are businessmen, these last provisions will make the recommendations more palatable to Congress. Even so, Representative Reed, chairman of the House Ways and Means Committee, is refusing to swallow them. This is mainly a retaliation for the dashing of his hope of pushing through reductions in personal income taxes this July, and it may force the Republican leadership in the House to take emergency measures to bypass his committee.

By postponing indefinitely the fulfilment of one of the Republican election promises—that taxes would be reduced—Mr Eisenhower can at least hold out hope that it will be possible to keep another of them—that the budget would be balanced—sooner than had seemed likely. Congressional experts, whose forecasts have in the past proved trustworthy, recently put the deficit for the year ending on June 30th at $7.3 billion and for the coming 1954 fiscal year at $5.9 billion. In both calculations receipts are lower than Mr Truman estimated last January, because revenues are not coming in as well as he expected. President Eisenhower said that if his tax recommendations were approved and if further economies could be achieved in the coming months, as his Administration intends they shall be, in addition to those already planned, then a balanced budget would be in sight—provided there was some improvement in the world situation. If not, he added ominously, he would be obliged to ask Congress for additional sources of revenue.

The President did not, however, answer another question which is much discussed. He gave no details of what the saving on defence, where most of his economies are being made, will mean to the rearmament programme. All he did to soothe Congress's fears in this respect was to emphasise that in the coming year 60 per cent of the money spent on defence would be for air power and that lasting security depended on economic strength, and therefore on a balanced budget, as much as on military strength.

Squeeze on Credit

THE Treasury's much-praised new issue of long-term bonds, 30 years at 3¼ per cent, has turned sour on the government. It accomplished its main purpose, to raise $1 billion of new money, without any difficulty, but it was selling below par before it was even issued and has dragged other government securities down with it. The chief explanation seems to be that a large proportion of subscribers were looking only for a quick profit. Both these speculators and the Treasury have learnt a lesson, but hindsight is suggesting to many critics that the government's alleged mishandling of the new issue extended also to its timing. They argue that the appearance of such a bond when the demand for loans already outstripped the supply has made credit excessively tight and that there is a real risk that the economy may be squeezed into a recession. One of the most ominous signs is that businessmen and local governments are finding it difficult, and sometimes impossible, to borrow the money they need for the industrial expansion and the highway and other construction projects on which the present boom largely depends.

A group of Democrats in Congress is already building a political issue out of the tight money and the rising interest rates for which the Republicans can, not entirely justifiably, be blamed. With their eyes on the places where the most votes are to be found, these Democrats are naturally stressing the discomfort caused to small business borrowers, to people buying houses on mortgage and to farmers who now have to pay more for their crop support loans—little men who, it is said, are being forced to suffer in order that the big bankers may make more money.

It is more significant, however, that automobile manufacturers are reported to have told the government that, if the squeeze on credit is not loosened, they will be unable to sell all their output and will have to reduce operations during the second half of the year. And the influential magazine *Business Week*, which has always supported the tight money policy, is now warning the government that the time to relax has come, that the danger today is no longer inflation but deflation.

Apart from reassuring speeches from both the Deputy Secretary of the Treasury, Mr Burgess, and the chairman of the Federal Reserve Board, Mr Martin, there have recently been encouraging indications that practical notice is being taken of this danger. Last week the Federal Reserve System went into the market for the first time for weeks and bought a small quantity of Treasury bills; such purchases add to reserves of banks and thus to their supply of loanable funds. A further and more specific indication came this Tuesday when the Treasury announced that it would refinance the $5.6 billion worth of certificates and bonds maturing during the first two weeks of June with a 2⅝ per cent one year certificate. While this is the highest interest paid for short-term government borrowing in the last 20 years, it is not as high as would have been necessary if the Treasury had continued its earlier efforts to shift the public debt into long-term securities. If this slight relaxation by both the Federal Reserve System and the Treasury is maintained, as it is expected to be, during the coming months, a period of seasonal expansion in business loans and of substantial Treasury borrowing, then both the supply of money and the price that has to be paid for it should benefit.

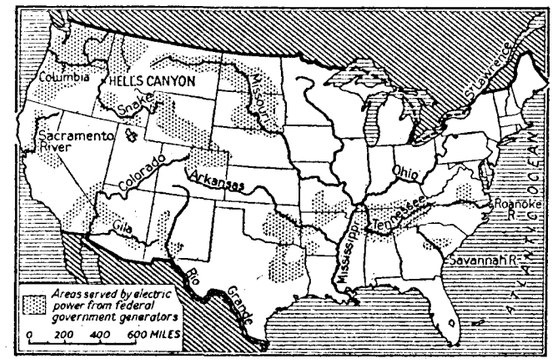
McKay in Hells Canyon

HELLS CANYON, through which the Snake River rushes along the border between Oregon and Idaho, is one of the last great undeveloped sources of power in an area that needs not only electricity but also flood control and irrigation. The Democratic Administration had long planned a huge project, costing nearly half a billion dollars, to provide all three, but in the past Congress always refused to authorise it. It was therefore highly unlikely that money would be found for it by the present Congress, which has already been chipping away at the new Administration's request for funds for dams and power transmission lines, even though it is much lower than Mr Truman proposed in January.

In these circumstances Mr McKay, the Secretary of the Interior, had some justification for withdrawing the department's opposition to the development of Hells Canyon by private interests, the Idaho Power Company, which wants to build three small dams instead of one large one. This scheme would be cheaper and would supply the wanted electricity more quickly than would the government project; but it could not, in the long run, provide so much electricity nor apparently ensure such adequate irrigation and flood control facilities—and it would make it practically impossible for the comprehensive government scheme ever to be undertaken. Mr McKay argues that all he has done is to leave the Federal Power Commission, which must still authorise the private project, free to make its decision

in the light of these considerations. But there is little doubt what that decision will be, for the commission looks favourably on private companies.

But in any case Hells Canyon goes deeper than this, for it had been regarded as a test of what the new Administration's attitude towards the whole question of public power would be. Mr McKay himself denied that a precedent was being set: each project would, he said, be judged on its merits and government construction of multi-purpose dams was certainly not ruled out. But he admitted that the government's withdrawal from Hells Canyon was in line with



its policy of letting private industry build dams wherever such a move would not interfere with the orderly development of natural resources. Actually, private industry is not so interested in generating electricity as it is in distributing it, but there is every prospect that Mr McKay will be equally amenable when it comes to checking the spread of government-owned transmission lines. Here, too, there will soon be a test case, on the question of whether the privately-owned Georgia Power Company should be allowed to buy electricity from federally-owned generators and serve consumers now supplied by the government.

Taft on Labour's Side?

LABOUR legislation is yet another field in which President Eisenhower is discovering the difference between campaign promises and obstinate realities. Over the past months the labour committees of the House and Senate have held hearings on fifty-two separate Bills intended to improve the Taft-Hartley Act. They have listened to about one hundred and fifty witnesses and sifted testimony running to many thousands of pages. But after all this it looks as if the question of amending the Act would be dropped for this year and left at least until the next session of Congress.

The main difficulty has been the lack of agreement on what form the amendments should take. The committees heard suggestions ranging from the pugnacious nihilism of Mr John L. Lewis—who wished to repeal all labour laws including the New Deal's Wagner Act—to a number of important proposals put forward by the chairman of the Senate committee, Mr Alexander Smith, a New Jersey Republican. The Smith amendments would exempt from Taft-Hartley legislation some six million workers in construction trades, public utilities, and small businesses employing less than ten persons. Senator Smith argues that the impact of strikes or lockouts in the construction industry is primarily local and that they should be dealt with by state labour relations boards. Management, however, has shown little interest in the Smith proposals and the Congress of Industrial Organisations opposes them in the belief that they would open the door to compulsory arbitration. The CIO feels, with some justification, that federal courts give a better guarantee of equity than state boards which are often influenced by local prejudices.

An even more controversial amendment has been put forward by Senator Ives, the New York Republican. Under its terms, which have the backing of all but two members of the Senate Labour Committee, it would be illegal for a union to refuse to grant equality of status and opportunity to Negroes or workers from any other minority group. Employers, moreover, would be subject to court injunction if they were proved guilty of discrimination. This would put real teeth into the whole Fair Employment Practices legislation and the Southern Democrats have made it plain that they will talk the Ives amendment to death in the Senate if ever it gets there.

Congressional confusion on what should be done about the Act has been aggravated by the absence of leadership from the Secretary of Labour, Mr Durkin, the lone Democrat in the Eisenhower Cabinet. Before becoming the "plumber among the millionaires," Mr Durkin had fought for complete repeal of the Act and he is now understandably reluctant to fight for its amendment. The one

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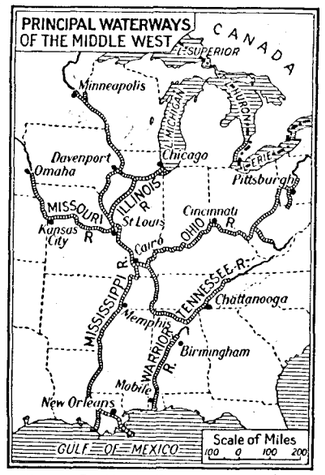
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man who is both enough of a Republican to influence his colleagues and enough of an expert to face labour on its own ground is Senator Taft. But he is not pressing for changes in his own law during the present session and as a result he may find himself in the unexpected position of earning the thanks of labour for delaying the changes in the Act. Already during the hearings he has often moderated the right-wing enthusiasm of his colleagues and in the present mood of Congress the only amendments that would have a chance of passing are the ones which appeal to management —for example, those granting greater power in labour matters to the states.

Government on the River

ALONG the Mississippi River and its tributaries, the 12,000 miles of inland waterways, through the heart of the middle west, that link the Gulf of Mexico with the Great Lakes, the federal government is in direct competition with private companies, and has been ever since a Republican Administration set up the federally owned barge line, the Inland Waterways Corporation, nearly thirty years ago. It was intended to stimulate interest in water transport, in order to provide competition for the railways ; in this it has been successful for today there are over one hundred privately owned barge lines. But it must be a comfort to orthodox businessmen that in recent years, when inland water transport has been booming, this socialist enterprise has shown a profit only once, in 1951. Taxpayers have, however, not been aware of this drain on the exchequer, since the losses—$325,000 last year—have been met out of revolving funds, not by direct appropriations.



Source: President's Water Resources Policy Commission.

Nevertheless, it is hardly surprising that the new Secretary of Commerce, Mr. Weeks, is even more anxious to get the government out of this particular business than out of the others in which it is involved. Mr Weeks is trying to sell or lease the lines, which own 270 barges and 20 towboats, mostly old-fashioned types, and operate on the Mississippi, Missouri, Illinois and Warrior Rivers. It may, however, be difficult to find purchasers, since Congress has stipulated that provision of the same services must be guaranteed. This presumably includes the carriage of less than barge-load lots, which private companies do not usually transport, and continuation of the barge service to Omaha, the only one on the Missouri River.

It is partly because the government provides these useful but not necessarily profitable services, and partly because its equipment is obsolete, that private firms are more successful. Their business has been increasing fast, much faster than has that of the railways ; freight traffic on the Mississippi system, 36 billion ton-miles in 1951, has more than doubled in ten years. Water freight rates are of course substantially lower than rail rates ; the railways complain that this is possible because the barge companies are subsidised, since the government is responsible for the upkeep of river channels, but not of railway tracks. The huge modern barges, carrying over 1,000 tons each, with as many as 15 being pushed (not pulled on the Mississippi where the current is too strong) by a diesel tow-boat, are also more convenient than smaller freight cars for the bulk cargoes such as coal, steel, grain and petroleum, which provide most of the traffic.

SHORTER NOTES

The Administration's hopes of adding a new star to the flag this year, by making Hawaii the 49th state, have been dashed by a Republican opponent of statehood in the Senate, who voted in committee for the inclusion of Alaska, a more controversial territory, in the Bill granting statehood to Hawaii which has already been passed by the House. Unless this committee decision is reversed, the Bill's chances of passage at this session are remote.

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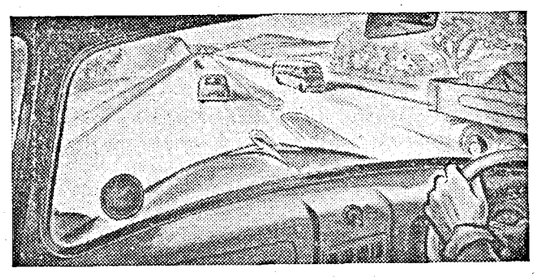
The Department of Justice is appealing against the dismissal by a Federal District Judge of four of the seven charges against Professor Owen Lattimore, under indictment for perjury during his testimony to the McCarran Committee on Internal Security. The verdict on this appeal will probably be taken to the Supreme Court which would mean a further long delay before Professor Lattimore has the benefit of a trial by jury.

★

An early beginning to warm weather is blamed for the great number of tornadoes in the United States this year ; the rate is almost three times that of an average year, and the peak of the season, in May, has been far more violent than usual, as last week's disaster in Texas demonstrated. However, meteorologists maintain that, contemporary superstition notwithstanding, the atomic explosions cannot be held responsible for the twisters.

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There is some chance that the new Customs Simplification Bill, on which hearings are to begin in the first week in June, will be passed during this session of Congress. Most of the controversial sections that delayed a similar bill in the last Congress have been changed, and two provisions requested by the Administration, on countervailing duties and anti-dumping measures, have been omitted. And free entry is asked only for goods valued at not more than $3 ; last year, when a free entry limit of $10 was suggested, there was strong protest from retailers who forecast that foreign mail order companies would benefit from this exemption.

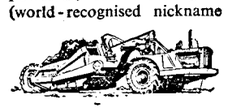


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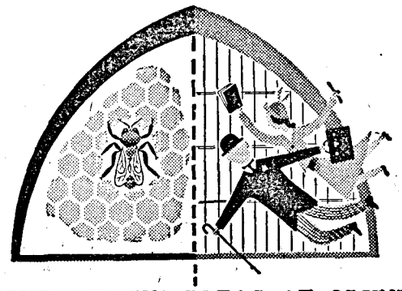


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The World Overseas

Arab Collective Security

FROM A CORRESPONDENT IN CAIRO

THE Treaty of Joint Defence and Economic Co-operation signed by the states of the Arab League, popularly known as the Arab Defence Pact, has acquired in recent weeks an importance that must surprise the man who, more perhaps than any other, developed the idea. He is Kerim Tabet, formerly press counsellor to King Farouk and for some years the power behind that tottering throne. He is one of the first two people to be indicted by Egypt's new "graft courts" and is in danger of having to watch the evolution of his brain child from prison.

Early in 1950, when the scheme was put forward at a meeting of the Arab League in Cairo, Kerim Tabet sat for some days in the lounge of the Semiramis Hotel quietly "selling" the plan to the delegates. He had, no doubt, the backing of King Farouk, Abdel Rahman Azzam Pasha, and the Egyptian leaders, and so was not alone in his efforts; but possibly he was the only one realistic or cynical enough to see the scheme's true intention at that time. This was no less than to sidetrack a developing relationship between Syria and Iraq. Syria was hesitant; the Christian half of Lebanon viewed with distaste the prospect of a dominant Moslem power at its side; King Farouk did not want the Hashemite kingdom of Iraq exalted; and King Ibn Saud feared that a greater Iraq or Jordan might encourage the Hashemites to try to recover the Hedjaz. It was therefore not difficult to secure the approval of an agreement which, on paper at least, made closer Syrian-Iraqi links unnecessary. At this point, Nuri Pasha el-Said was content to underline the impracticability of the pact by saying that it must, of course, be made strong enough to resist Russia as well as Israel.

Three Years' Delay

The drafting of the treaty was completed on April 13, 1950, and it was signed by five of the states in June of that year. Iraq and Jordan did not sign until February, 1951, and the necessary four ratifications to bring the treaty into force were not deposited at Arab League headquarters in Cairo until March, 1952; the treaty came into force the following month. Even now, after three years, the Joint Defence Council and Permanent Military Commission for which it provided do not exist. Nor have the economic clauses of the treaty been applied.

The treaty provides that the signatories will attempt to settle disputes between themselves or other powers by peaceful means, but will go without delay to the aid of any signatory state or states subjected to aggression and take steps to repel that aggression, by armed force if necessary. The Arab League Council and the United Nations Security Council will be informed of the aggression. Consultations will be held when it is reasonably believed that a threat of aggression exists and, to prepare themselves to fulfil their obligations, the signatories will co-operate to consolidate and co-ordinate their armed forces and resources.

A Permanent Military Commission composed of representatives of the general staffs of the armies will be formed to draft plans of joint defence and assist the Joint Defence Council, consisting of the defence and foreign ministers of the states, which will be established to implement the treaty. The commission will "prepare plans to deal with anticipated dangers or armed aggression"; submit proposals for organising the forces of the member states, stipulating the minimum force for each state; make proposals for increasing the effectiveness of the forces and "for the exploitation of natural agricultural and industrial resources of the Contracting states in favour of the inter-Arab military effort and joint defence"; arrange exercises and training; and prepare data on the military potentialities of the states and the contribution they would be expected to make in case of aggression.

"Nil Plus Nil"?

All this is mandatory on the signatories—except that article 6 states that the Joint Defence Council shall be under the supervision of the Arab League Council; and the Arab League Charter does not compel any of the member states to accept the decisions of the Council. It may possibly be held that, by this loophole, the states, compelled to go to war in case of aggression, would not be compelled to accept the joint plans drafted by the Permament Military Commission for the Joint Defence Council.

There is little question that as it stands the treaty is quite ineffective. It has been described by a hard-headed Arab politician as "nil plus nil." Perhaps its greatest danger is that in time it could be strengthened to create a threat to Israel which the Arab states, if still lying outside the influence of the western system, might one day in desperation attempt to implement. But even this is doubtful.

Nevertheless, the Arab joint defence treaty should not be wholly written off because of its shortcomings. The best statesmen in the Middle East are as conscious of its ineffectiveness as anyone, but they have come to regard it as the

political instrument which might be used to break the isolation into which years of extreme nationalism have thrust the Arab states.

The argument for using the Arab pact as the basis for regional defence is that the pact itself would become dependent on the support which the West gave it. Psychologically, the Arabs would be more susceptible to eastern Mediterranean planning if they had their own independent organisation, and their leaders believe that in time the liaison between their defence system and that of Turkey, Greece and Jugoslavia might progress to actual integration. Mr John Foster Dulles is said to have come to the conclusion that this would be worth trying, and that the Middle East Planning Organisation should be established at Cyprus in parallel with the Arab pact, in the hope that the planning centre would be used, in time, by the Arabs.

In a sense, it is the facilities granted to the big powers to use the territories of the Arab states rapidly in time of war that are important. The Arab forces could be built up to become useful auxiliaries in action; the labour forces would be valuable; the absence of sabotage, if not actual co-operation, on long exposed lines of communication, would be important. Even more vital would be the existence of air and other bases, occupied by the Arabs in peace time, which would be available for the rapid deployment of stronger forces in time of war. This is not a western commander's idea of good strategic arrangement; but it may be the best he can get.

A Third Gaullism?

FROM A CORRESPONDENT IN PARIS

GENERAL DE GAULLE'S great services during the war put him at the head of liberated France. He has now admitted, however, that Gaullism as a postwar parliamentary force has failed. Is there a third form of Gaullism in the offing? The immediate practical question is whether or not the 87 ex-Gaullist deputies in the National Assembly will survive as a coherent unit. Few people in Paris believe that they can hold together for a very long time. In fact they would already have split in January if General de Gaulle had not reluctantly allowed them to vote for M. Mayer's cabinet. Now, however, many of them must realise that their only chance of re-election lies in joining a conservative or radical grouping.

It is expected, therefore, that sooner or later about 30 or 40 of them will go over to one of the many right-wing or radical groups, including the *Action Républicaine et Sociale* (ARS)—a splinter group formed of Gaullists who broke away from their party in order to support M. Pinay. That would leave about 40 or 50 ex-Gaullist deputies, and it is very likely that at first these may merely change their parliamentary label without giving up their individual allegiance to Gaullism. They are hoping to form a group sitting no longer on the extreme right of the Assembly but somewhere in the centre between the Radicals and the Catholic MRP. This party might become a flexible parliamentary force.

On the whole, any new split among the Gaullists should consolidate the right and centre coalition which now governs France. This may not immediately benefit M. Mayer, but in the long run it may give M. Pinay the kind of majority he wants and with which he would agree to return to power. What makes this paradoxical is the fact that it was M. Pinay who really destroyed the Gaullist RPF. But he did so by the very fact that his sane views attracted many of its members, and showed them that Gaullist ideas might play a part in parliamentary life.

Eddies and Flirtations

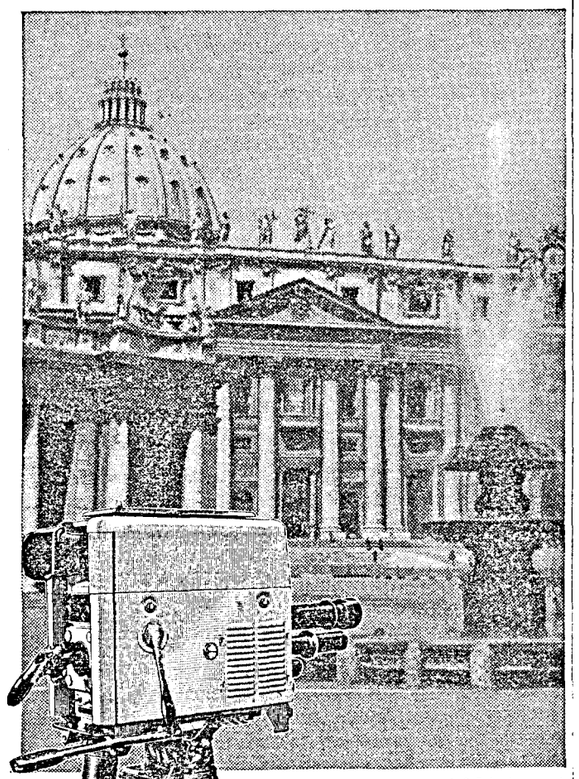
The dislocation of General de Gaulle's parliamentary group will cause a great many eddies in the political pool. Two possible combinations are already being predicted. The Radicals are flirting with the left-wing Gaullists and some of the right-wing Independents in order to create a new "republican centre," leaving on their extreme right only the die-hard conservatives and perhaps the ARS. On the other hand, the Catholic MRP is also trying to entice stray Gaullists into its camp. The MRP, M. Bidault's party, has never been happy in the recent governmental coalitions. Some of its leaders have long been trying to woo the Gaullists, and in fact made alliances with them in many constituencies during the municipal elections. The MRP might now try to ally itself with whatever Gaullists it can gain and with the Socialists. This would mean a new coalition, but one to the left of centre. Whatever may come of all these political machinations, the French parliament will no longer be squeezed hopelessly between the hammer of the Communists and the anvil of the Gaullists.

The aims of General de Gaulle himself, however, remain unchanged. Although he is now a leader without a parliamentary party, he still wishes to change the whole French political system. By withdrawing from this system he is, in fact, trying to show that it is inadequate for the present grave needs of the nation. But how will the RPF survive without parliamentary representation? This survival may take several forms. There will no doubt be a brains trust in which intellectuals and politicians of Gaullist conviction such as M. Soustelle and M. Malraux will try to influence public opinion and create some form of contact with the working class. The general himself shows every sign of continuing his personal crusade against the European army and in favour of drastic social reform. His major ambition at the moment is to create a link between capital and labour along Gaullist lines, not too reminiscent, one hopes, of Mussolini's ideas on the same subject. The recent Renault strike has shown that a handful of trade unionists under Gaullist guidance can be a major factor in a key industry. The difficulty with Gaullist plans for the working class is that the RPF lacks the native roots that Communism possesses. Shortsighted employers, moreover, will fight Gaullism if it departs from traditional rightist proposals.

A Spiritual Force

Although General de Gaulle's political life since 1946 has not increased the prestige he won during the war, it would be foolish to rule him out as a force in French political life. Prophets are often stronger alone, and by not being involved in day-to-day political conflicts the general may emerge as the only figure to whom France can turn in a final crisis. In other words, the "third Gaullism" will most probably be a spiritual and symbolic rather than a political force, and it is within this framework that General de Gaulle may finally reap some of the fruit of his great services to France.

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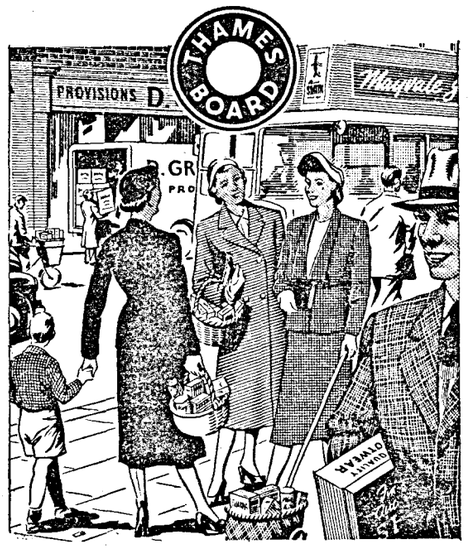
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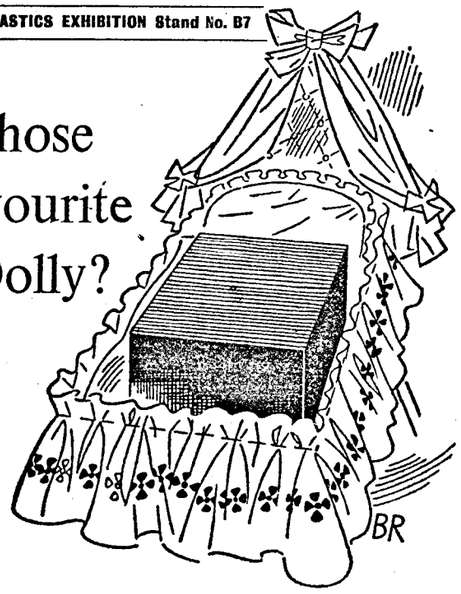
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Greece Under Papagos—I.

A Trading Nation in a Shrunken World

FROM A SPECIAL CORRESPONDENT

THE devaluation, announced last month, of the Greek drachma to half its previous dollar value, was long overdue. The previous exchange rate was universally admitted to be unrealistic; but as long as Greece was importing much more than it was exporting, and living on large-scale American aid, it was to her advantage. With the prospect that the aid would substantially decrease, it became a matter of greater urgency to increase exports. The devaluation ought to make things a good deal easier for farmers. Fresh and dried fruits, olives and oil, long important items in Greek exports, should be able to find more buyers. The prospects for tobacco, which in the 1930s was by far the largest single export, will also be improved, but the tobacco industry's special problems of high production costs and lost markets will still be far from solution.

Those Greek industries which use home-produced raw materials will benefit, but those which import raw materials face a bleak future. In recent years Greece has operated a large woollen industry, based on imported wool, imported machinery and imported technicians. Its cotton industry was relatively less developed, and some of its home-produced cotton—of which there is a much larger supply and of much higher quality than before the war—was being exported raw rather than in manufactured form. In the new situation the wool industry will be hard hit—though orders for military uniforms will keep some firms going—but the cotton industry may do well, and even find some export markets.

Calling a Spade a Spade

Criticism of the devaluation has stressed the blow to public confidence in the drachma. It is true that for the last few years the relative stability of the official rate has been beneficial. It is an old Greek habit to hoard gold, and the grim events of the 1940s reinforced the habit. Bank deposits hardly existed, and loans were made on gold at exorbitant interest, 2½ per cent per month being not unusual. One of the aims of financial policy for years past has been to induce savers to convert their gold hoards into drachma hoards, and, ultimately, to put their hoards into bank accounts. In the last year some progress had been made towards the first stage; hoards were being converted into currency. Now there is a danger that they may go back into gold. Mr George Kartalis, Minister of Co-ordination in the previous government, had developed a complicated system of import licences and export premiums which in fact created, for many commodities, an exchange rate not very different from that which now exists, both in fact and in name, after devaluation. He claimed for his policy the merit that by maintaining the fiction of a stable currency, it preserved the confidence of Greek savers in the drachma. This advantage, he argues, has been thrown away by the government.

The argument undoubtedly has some force. But Mr Markezinis, Marshal Papagos's Minister of Co-ordination and effective economic dictator, decided that it was wiser to do away with so ingenious and confusing a system, and to call things by their real name. Markezinis is rightly anxious to attract foreign capital and tourists, and to persuade Greek shipowners to return to the Greek flag. That he is in earnest is shown, for example, by the rather more favourable terms of compensation finally given to the British owners of the nationalised Lake Copais estate. In present conditions it may be argued that the confidence of the potential foreign investor is more important than the confidence of the Greek hoarder. Meanwhile, inflationary pressure can be at least temporarily checked as a result of the large purchases of foodstuffs from the United States which Mr Markezinis arranged shortly before devaluation.

An Important Visit

There can be little doubt that devaluation pleases the Americans, and Mr Markezinis was understandably anxious to create as favourable an atmosphere as possible for his visit to the United States this month. The visit is of importance for the future both of the Greek economy and of Mr Markezinis's career. It is hardly a secret that the minister would like to hand over the conduct of economic affairs, in good order, to a successor, and then be free to devote his talents and energies to those major problems of international policy that have always been of greatest interest to him.

The present government is determined to continue the improvement in public finance that has taken place in recent years. Lack of exact knowledge of the distribution of wealth is still a principal reason for the relative inadequacy of income tax revenue and the prevalence of indirect taxation. None the less there has been real progress. Direct taxes formed 18 per cent of ordinary revenue in 1948-49 and 27 per cent in 1951-52. In the same period income tax receipts increased from about 250 billion drachmas to 1,000 billion.

Greece has made an impressive recovery since the civil war ended in 1949, and levels of output and consumption are now appreciably higher than in 1941. But the basic problem which faced Greece before the war is still there, the problem of overpopulation. Greece is naturally a poor country. Its people have largely lived by the skill which they have brought to other lands, as seafarers and traders all over the world. Few nations depend so much on a free international market. In the age of high tariffs and immigration barriers the Greeks are precariously placed. Their exclusion from the Black Sea and from the Danube Basin is another blow. The country never recovered from the expulsion of more than a million Greeks from Asia Minor in the 1920s, a human catastrophe curiously regarded by many western liberals as a "triumph of the Geneva spirit." The immigrants of course enriched their new homeland with much talent and labour. But a sudden increase of the population by 20 per cent placed a terrible strain on a backward economy. It was, for example, a greater strain than that created by the expulsion of the Germans from the East, of which much more has been heard. Tens of thousands of Asia Minor refugees still live (after thirty years) in tumbledown shacks without light, sanitation or heating. The civil war brought a further influx of refugees —probably about three-quarters of a million. Most of these have now returned, but a considerable proportion, having acquired a taste for city lights, have contrived to linger on. To extricate them from the sprawling agglomera-

tions of Athens-Peiraeus and Salonika seems beyond the power of any human agency.

Greek experts estimate the effective unemployment in Greece at 960,000 out of an employable population of about four million. This figure consists mainly not of industrial unemployed but of agricultural underemployed. In fact few Greek peasants are completely unemployed: everyone has too little to do. The wastage of manpower from underemployment is estimated as equivalent to a wastage of 800,000 fully unemployed. Behind these statistical estimates is a reality of misery and despair.

New Shoots in a Cold Wind

Everybody knows that this problem can be tackled only by a combination of agricultural improvement and industrialisation. New industries have been created. Some, such as cement and fertilisers, are doing rather well. Others are fragile, and will not easily withstand the cold winds that devaluation will bring. Of the major investment projects the most important are the electric power stations. The largest of these, at Aliveri in Euboea, based on local lignite deposits, ought to be in action during the summer, and though it might have been organised in a more economic manner, it will certainly prove a valuable asset. Possibly the most useful of all American help has been that given to agriculture. Land has been reclaimed and irrigated, and there is more that can be done. The American advisers have not been doctrinaires: they have adapted their ideas on mechanisation to the conditions of Balkan smallholdings, very different from those of the prairies. Cultivation of rice and cotton have been very successful. Some progress has also been made with agricultural co-operatives, particularly of olive-growers.

Admirable as these improvements are, they have not removed the basic weaknesses of the Greek economy. American experts now speak more cautiously than some years ago. They show less enthusiasm for new industrial projects—for example, the government plans for a large sugar plant and a petrol refinery. They lay more stress on long-term improvements to agriculture. They argue that, despite present population growth, hard work will enable the Greeks to preserve their present standard of consumption. This is hardly an inspiring prospect, for income per head in Greece is among the lowest in Europe.

Military expenditure is, of course, a crushing burden. This the Americans recognise. They argue that their aid to Greece should in future be limited to the margin between the present cost of defence—with permanent cold war along most of the northern frontier—and what would be the cost of defence in normal peace conditions. This sounds not unreasonable. But the interpretation of the margin can provide scope for endless argument and recrimination.

After long years of sweat and toil, and a good deal of blood, the Greek people face the probability that, unless the cold war is ended, or the trade and immigration policies of the great industrial countries become startlingly more liberal, or private foreign capital can be induced to invest on a large scale, their wretched standard of living will not rise. How they will take this will depend on the quality of their political leadership.

(To be concluded)

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Sweden's Economic Prospects

FROM OUR SCANDINAVIAN CORRESPONDENT

LAST year, for the first time since the war, industrial production in Sweden failed to rise. It fell, it is true, by only 2 per cent. But this setback, together with other factors, is symptomatic of a new and harsher economic climate. Without necessarily discounting the dirges of industry or endorsing the rather glib prescriptions of official spokesmen, one may, nevertheless, suggest that, on balance, things are better than they are usually made out to be: for the emphasis is now on the losses and dangers ahead, not on certain factors of strength which sustain Sweden's relatively favoured position.

Compared with 1951, exports last year fell by 12 per cent (from kr. 9,225 million to kr. 8,091 million), imports by 3 per cent (from kr. 9,184 million to kr. 8,936 million). But 1951 was an unnaturally and unhealthily prosperous year; and a comparison with 1950, when exports were worth kr. 5,707 million and imports kr. 6,102 million, shows that 1952 was, by normal standards, a good year. Its pattern of declining exports and deteriorating terms of trade, however, is continuing this year.

Caution is thus the watchword now. But there is a fundamental difference between the opposition—industry, banking, commerce—which appeals for help to maintain its level of activity and profits, and the Government, which points out that, after a run of highly satisfactory years, business must be ready to accept some setbacks and that, in any case, the situation now is far from being so serious that emergency measures are called for. Nevertheless, government economic policy formally recognises the changing position both in the so-called "National Budget," —the annual economic survey—where exports for 1953 are estimated at only kr. 6,990 million and imports at kr. 8,105 million, and the budget proper, which envisages a deficit on current account of kr. 50 million.

It is worth noting that the "National Budget" foresees a further fall in the value of forest industry exports —to 38 per cent of the total, as against 40.7 per cent in 1952, 54.6 per cent in 1951 and 42.4 per cent in 1950. On the other hand, exports of iron ore, iron and steel are expected to increase—to 28.1 per cent of the total, compared with 25.2 per cent in 1952, 15.9 per cent in 1951 and 18.6 per cent in 1950. Net income from shipping is not expected to cover the deficit on visible trade, as it has done in recent years, and is put at kr. 775 million. On the import side the largest increase should be in textiles which, it is estimated, will rise from 10.9 to 13.5 per cent of the total (but during 1949-51 they formed an average of 17 per cent of total imports); and there should be lesser increases in machinery, means of transport and chemicals. Sweden's terms of trade are put at 92 points for 1953 as against 102 for 1952.

Achilles Heel

It is a curious fact that more tends to be heard of the difficulties of the Swedish engineering industries in the face of German and Japanese competition than of the much more important deterioration in the position of the forest industry. Perhaps this is because the former more nearly epitomises the weaknesses of Sweden's present position. In the absence of competition it has profited from marginal markets; and as a result of continued prosperity, it has raised its level of fixed costs in terms both of high wages and of large expenditure on welfare services, too high for its resources and prospects. It is thus obliged to spend on existing commitments, mainly of a public nature, money which would be better employed in other ways.

The high level of public expenditure is the Achilles heel of Sweden. This prime weakness, moreover, is accentuated by various secondary ailments apparently inseparable from the original fault, notably an obstinate refusal to increase the bank rate so that the supply and demand of money are brought into equilibrium. Thus the budget proposals for the next financial year (July 1st to June 30th) envisage a deficit of 50 million kronor on current expenditure (income kr. 8,168 million, expenditure kr. 8,218 million) in addition to a capital expenditure of kr. 1,290 million. In short, as was pointed out in the well-argued and reasonable address of the managing director of *Svenska Handelsbanken* to the annual meeting in March, the government claims to be embarking on a restrictive policy but, largely owing to its prior commitments and "automatic" increases, is in fact acting expansively. It requires about kr. 1,500 million more than it proposes to collect through its own machinery. Some monetary expansion is thus inevitable and, on the worst interpretation, there is a possibility that Sweden may in consequence again experience inflation at home while exports decline.

Dread Word

Some such developments have been implicit in Sweden's policies for many years: but a sellers' market has enabled their implications to be avoided—or so exaggerated by those affected that it has not been difficult to discredit their claims. The whole attitude to unemployment illustrates this point. One of the more satisfactory features of the present situation is that the level of unemployment has remained much lower than expected—2.3 per cent of trade union members in 1952 as against 1.8 per cent in 1951. Nevertheless, any mention of the dread word produces an almost pathological state in which a cold appraisal of the facts is hard to make. Readjustments are necessary and are being made, but, so far, it is the too high level of employment rather than unemployment that makes them difficult.

Nevertheless there are several real factors of strength in Sweden's position—even if wages are too high, the rate of interest too low, foreign exchange reserves too small, government expenditure too big and the mental legacy of the easy years a handicap to efficiency. The fiscal policy which has led to such a marked redistribution of incomes has simultaneously led to the modernisation and re-equipment of industry. Industry, it is true, could well use a larger part of the available resources than it now gets. But a case can also be made out for giving priority to the establishment of those utilities without which workers cannot be attracted to the new factories. Further, various taxes which bear hard on industry—the investment tax or the electricity tax—could always be lightened or abolished, as in the case of the export tax on forest products. There also seems to be plenty of fat to take off somewhat lavish costing methods as an alternative exercise to forecasting imminent ruin. Finally, if costs are kept under control, Sweden's staple exports should always be able to count on a satisfactory, if no longer a lucrative, market.

Bolivia under Paz

FROM A CORRESPONDENT

THE Nationalist government of Dr Paz Estenssoro has much to look back upon in its one year of power in Bolivia. It has got under way a social transformation which may be as important as was the Mexican revolution. Like Mexico's upheaval, it has three basic objectives: an assertion of economic nationalism, fuller use of natural resources, and integration of the Indians into the life of the country.

The government's first move was the nationalisation of the tin mines. It wanted this important tool to use in the furtherance of the rest of its programme. It also feared that after the first shock of last year's revolution had worn off, the tin companies would bring down the Paz government, as they have allegedly brought down every other regime hostile to them. At the same time, the elimination of the tin companies was immensely popular, and assured the government of much support.

The principal problems presented by the nationalisation of the mines are technical and international. There has been a considerable exodus of foreign technicians, and many others have remained only on condition of being paid higher salaries. The government has re-engaged many engineers and is making strenuous efforts to train Bolivians; but if the Mexican oil nationalisation is any guide, it will be some time before the Bolivians can run their mines as well as the companies were doing.

No satisfactory method of paying off the foreign investors in the mining companies has yet been evolved, and there is considerable fear that the government may by one stratagem or another refuse to reimburse them, in spite of specific pledges to the contrary. This is one of the causes for the hesitancy of the US authorities, which have been buying ore only in small dribbles on a monthly basis. The Paz government is anxious to get a five to ten year contract as an assured source of foreign exchange.

Tin nationalisation is, however, the least important of the government's long-term objectives. More significant is the plan to develop agricultural and mineral resources. Bolivia imports 50 to 75 per cent of its food, an outlandish situation for a mainly agricultural nation, and the government is anxious to develop the fertile valleys east of the

great central plateau, where all sorts of products, both temperate and tropical, could be grown, making the country self-supporting in food. It also wants to exploit minerals other than tin, which are known to exist in the great ribbon of rock in which the country's tin and silver have been found. Finally, it wants to develop manufacturing industries, and in particular to process in Bolivia some of the tin ore which now goes to refineries in Britain and Texas; some rather unsatisfactory negotiations to this end have taken place with an Argentine group.

Bringing in the Indian

Both members of the Paz government and outside observers agree that Bolivia's economy can never be fully developed unless the Indian is brought into the nation's economic and political life. Ever since the coming of the white man, the Indian has been virtually a slave, doing the work while his white and mestizo masters took the benefits, and from time to time striking back blindly at his oppressors. The first necessity for bringing the Indian into the nation's economy is an agrarian reform. Most of the arable land has been in the hands of large landowners, and the Indians have worked either as sharecroppers, tenants, or wage workers on the large estates. Only in the more remote parts of the plateau and high up on the steep sides of the mountains have a few Indians been able to maintain their old type of communal cultivation.

The Nationalist party (MNR) has always made land reform one of its main objectives. During the only previous government in which the MNR had some influence, that of Major Villarroel (1943-46), the first steps were taken towards enlisting the support of the Indians. Government backing was given to unionisation of the Indian miners—many of whom were also agricultural labourers or tenants—and an Indian Congress was organised a few months before Villarroel's downfall. However, certain elements in the MNR were fearful both of the agrarian reform and of the integration of the Indians into political life. They attempted an unsuccessful *coup d'état* against the Paz government early this year. The suppression of this revolt paved the way for a serious attack on the problem of land reform, and soon afterwards a commission was appointed to survey the problem. It is scheduled to report in July or August, though it may take longer. In addition to studying the problems of legal transfer of the land to the Indians, the commission must decide upon the most economical way to organise the lands taken from the large landholders, and find ways of substituting modern techniques for the millennium-old wooden digging stick still used by the Indians.

Falangists and Trotskyites

Agrarian reform will be the key to the future of the Paz government. If it hesitates too long it will be lost. Either the landowners will bring about its overthrow, or its Left-wing opponents will use the discontent of the Indians to seize power. The chief opposition groups are the *Falange Socialista Boliviana*, upon which the Right seems to place its hopes; the POR, one of the world's few important Trotskyite parties; and the remnants of the former PIR party, more or less of a Stalinist stripe.

The *Falange* has always been small. Avowedly pro-Nazi during the war, it was never taken too seriously by either Nationalists or their opponents. However, it is the only group openly opposed to the Nationalist regime which was not associated with the governments in power beween 1946 and 1952, and so now has prestige enough to become the rallying point for the remnants of past regimes. It has been seeking influence in the weakened army as well as among civilians. Most observers think that if the Paz government is overthrown from the Right, it will be the *Falange* that does the trick.

On the Left are two other groups. The *Parido Obrero Revolucionario* (POR) is a member of the Trotskyite Fourth International. It is a little vague on doctrine, and some of its members now see little difference between Trotskyism and Stalinism, while others tend to follow a Socialist rather than a Communist course. The POR existed for a decade as an appendage to the Nationalist Party, and in particular of its labour wing, headed by Sr Juan Lechin, now Minister of Mines. Lechin is a man of limited political education, and the Trotskyites' great value to him has been that they could write impressive programmes for his union, documents which gave the movement some standing in the eyes of the intellectuals.

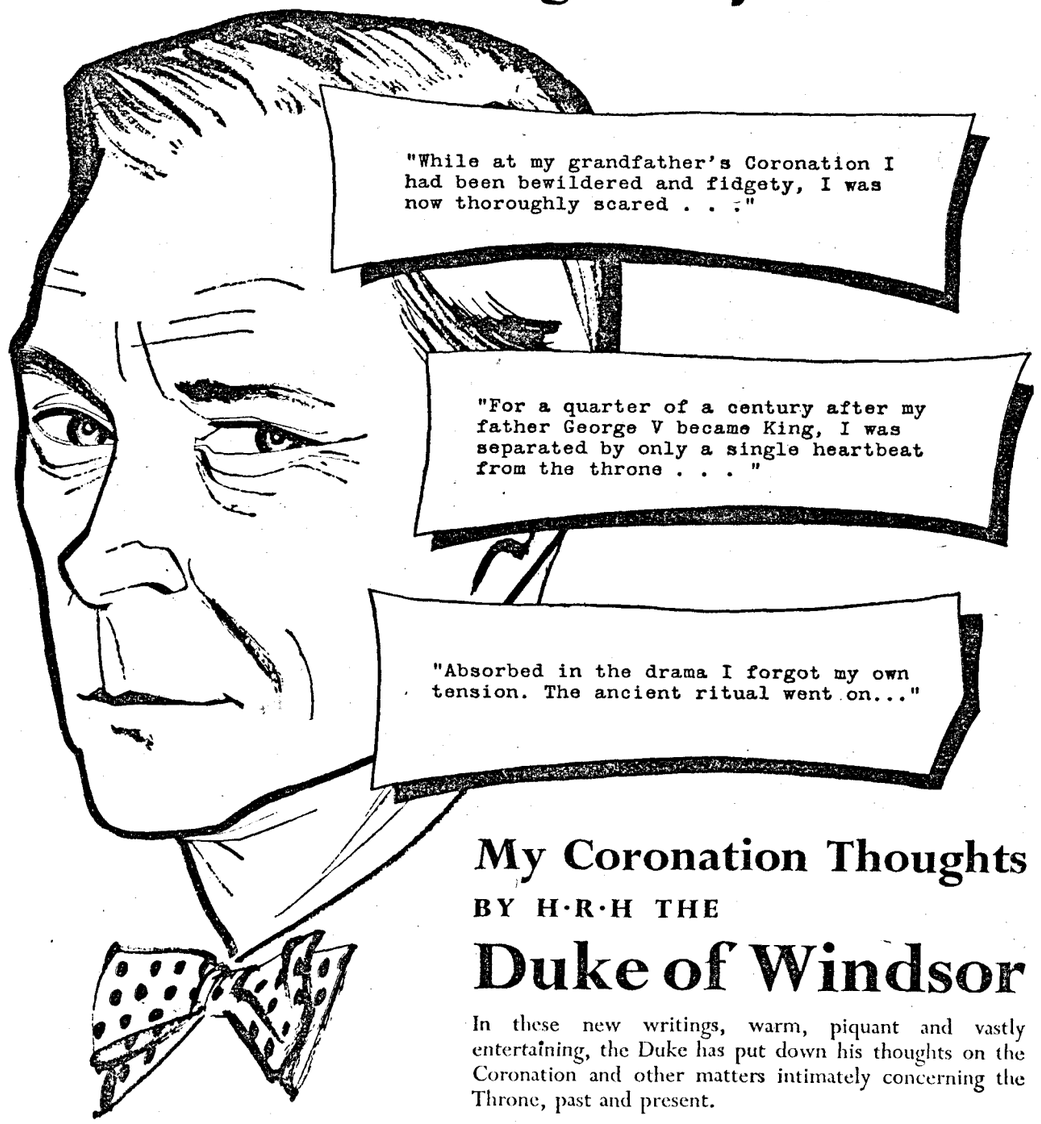
Their loyalty to Lechin paid off after the revolution of April 1952. The Trotskyites were then able to emerge as the only party which had stuck to the Nationalists in their difficult days, and now virtually their partners. They took a leading part in establishing a central labour group, the COB. Although the titular leaders of the group were Sr Lechin and the Minister of Labour, its real managers were the Trotskyites, skilfully led by Edmundo Moller, and they used it to put pressure on the government. However, in January Lechin apparently realised what damage could be done to the regime if the COB was left in the hands of the Trotskyites, and he suddenly insisted on a reorganisation which put loyal Nationalists in charge.

Communist Factions

The other Left-wing opposition group consists of the remnants of the *Partido de la Izquierda Revolucionaria* (PIR). Some time before the 1952 revolution this party's youth group broke away to form a *Partido Comunista*, which was soon afterwards recognised by the Cominform. A few weeks after the revolution the PIR decided to convert itself also into a *Partido Comunista*. A group of leaders, including its chief, José Antonio Arze, and its theoretician, Ricardo Anaya, held aloof, saying that they were anxious to bring about the unity of all Marxist groups. But all factions of the former PIR are discredited with the supporters of the present regime, since they helped to overthrow the MNR-backed government in 1946 and co-operated with the succeeding regimes. They are now trying to make up for this by supporting the MNR, particularly in the trade unions, but they have not yet had much success.

If the MNR succeeds in pushing forward its social revolutionary programme, it may stay in power for a long time, kept there by popular opinion and by its armed supporters among the workers, students and middle class. If it fails, Bolivia is unlikely to return to the monotonous military dictatorships of the past, serving to a greater or lesser degree the interests of the white and mestizo powers-that-be. More probable alternatives would be a fascist-like regime under the *Falange*, or some sort of Communist dictatorship.

"At 1.15 there was a most alarming family lunch..."



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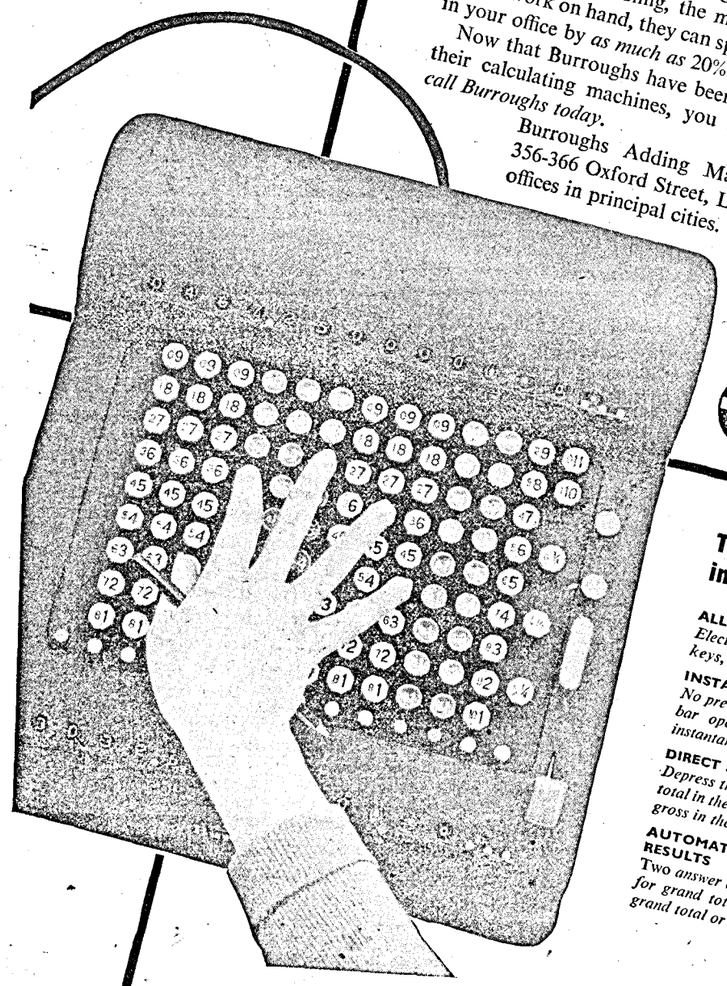
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THE BUSINESS WORLD

European Arbitrage Again

LAST Monday the foreign exchange market left behind it another milestone in its march towards freedom and normalcy. It was not, by itself, a very important milestone ; but it was passed by no less than eight countries marching abreast—Belgium, Denmark, France, Germany, Holland, Sweden, Switzerland and the United Kingdom. Since Monday authorised banks in these countries have been allowed to arbitrage freely in their respective currencies. What is involved by this can best be explained by reference to the system that has now been supplanted. Until this week the exchange markets in this group of European countries had operated with bilateral blinkers. A British bank in possession of French francs could sell them in Paris for sterling but not for guilders. A Belgian bank requiring guilders had to obtain them in Amsterdam, even though the cross-rates concerned showed them to be cheaper in London. The foreign exchange balances arising from this rigid bilateralism—to the extent that they were passed on by each bank to its central monetary authority—were converted once a month into a truly intra-European multilateral system by the compensations of the European Payments Union. But this was multilateralism at central banking level ; since May 18th it has been effective at commercial banking level as well.

This arbitrage is restricted for the time being to authorised banks. Individual traders must continue to obey the directives of exchange control in their own countries. A British trader, for example, still has to settle in French francs or sterling if he is dealing with France, and he is still required to deliver the proceeds of any exports to France to the Exchange Control. The structure of Exchange Control remains unchanged. The trader, however, should secure the advantage of a somewhat closer range of dealing prices in European currencies and of an integrated structure of exchange rates. Under the previous bilateral system, considerable discrepancies in cross-rates of exchange could and did occur. As soon as arbitrage became possible within this group of countries the operations of the authorised commercial banks secured an immediate correction of these discrepancies—for each bank naturally seeks to buy exchange in the cheapest market.

In order to achieve the conditions necessary for such arbitrage, completely automatic transferability has had to be granted between the balances held on account of authorised banks within the circuit. This has not had much effect on Britain. Most of Britain's trade is done in sterling ; and automatic transferability of sterling had already largely been conceded to these seven foreign countries, either by prior membership of the transferable account group or by the extension to them of the very liberal administrative transferability that is enjoyed by all EPU countries. But this automatic transferability has now been reciprocated and extended by all countries within the group. This, in itself, represents a significant advance in the multilateral freedom of exchange dealings within the group.

For the present, this arbitrage will be limited to spot transactions. In due course—provided the new system works—it will almost certainly be extended to forward operations. When that happens it will once again be possible to mobilise banking facilities in Europe in truly international syndicates—syndicates whose activities used to be a normal feature of international banking before the war, but that have been placed out of court since the war by the bilateral lines on which exchange operations have been conducted. Moreover, even now, in the field of spot transactions, there is one reservation to the applicability of the new arrangements. This

relates to Switzerland. Under Switzerland's peculiar foreign exchange system, the official Swiss Compensation Office is prepared to pay out Swiss francs at the official rates only for foreign exchange that arises from visible and invisible Swiss exports. All other foreign exchange earned by Swiss nationals—for example, from financial transactions—goes into free accounts and must be dealt with in the free market (although there is now an exception in the case of US dollars, which are bought by the Compensation Office at the official rate whatever their source of origin. If arbitrage facilities had been extended to Swiss free accounts a commodious vehicle would have been provided for the conversion of European currencies into dollars. By keeping foreign exchange in Swiss free accounts outside the scheme and by careful vetting of the list of authorised Swiss banks, the eight governments hope that they have closed this loophole; certainly it will take a great deal of ingenuity for any malefactor to wriggle through it.

For the London foreign exchange market, an important corollary of the new arbitrage scheme has been the admission of the Deutsche mark to an official quotation at the Bank of England; similarly, of course, sterling is now quoted in Germany. Hitherto the Bank had intended to refuse a quotation for the mark until Germany had ratified last year's debt agreement. Another important change affecting the London market has been the adjustment of the official rates at which the Bank of England undertakes to buy or sell exchange for approved purposes to authorised banks. No exchange parities have been changed, but a general and uniform realignment of buying and selling limits has been agreed between the eight countries. As far as possible these limits have been placed at ¾ per cent on either side of parity. That is well within the range permitted by the International Monetary Fund and approximately equal to the $2.78 to $2.82 spread in the sterling-dollar rate. The changes in buying and selling rates quoted in London, together with the new range fixed for the Deutsche mark, are listed in the appended table. This table also shows the adjustment of dealing rates that followed the introduction of the new arrangements.

THE NEW PATTERN OF RATES

	Official rates		Closing rates	
	Old range	New range	May 15	May 19
Belgium	139–141	138·95–141·05	139·70	139·97½
Denmark	19·20–48	19·19½–48½	19·34	19·35
France	972–988	972·6–987·3	987½	984
Germany	...	11·67⅜–84⅛	...	11·73
Holland	10·56–72	10·56–72	10·56½	10·60½
Sweden	14·37–60	14·37½–59⅜	14·48½	14·49
Switzerland	12·14–35	12·15⅜–33⅝	12·19½	12·22½

Under the new system the turnover of compensations handled by the European Payments Union should show some contraction. So long as exchange operations between EPU countries were conducted on bilateral lines, the gross amounts brought into the monthly compensations by central banks bore some resemblance to the sum total of transactions between each set of partners. Now that arbitrage is possible between these eight countries, much of the clearing that used to be done monthly through EPU will be done instead day by day and through the market. But the net position of any country in EPU will not be altered except to the extent that commercial banks hold larger amounts of European currencies in their working accounts. There have already been some changes in this respect; for example, British authorised banks have been informed this week of an increase in their permitted holdings of currencies included in these arbitrage arrangements. These increases in working balances may have a distorting effect on the figures announced at the beginning of next month for the May clearing at EPU. But apart from this—and apart from the fact that the pattern of market rates will now be a daily barometer to the probable state of these end-month clearings—there are no notable implications for the balance of payments in the new system.

The London market has taken the new freedom in its stride. The re-establishment of arbitrage facilities led to an immediate flurry of activity in the early part of the week. On Monday, the first day of dealings, the market enjoyed its most active session for a very long time. It handled a large turnover, enjoyed a welcome profusion of international telephone calls, and renewed acquaintance with the old techniques of sizing up and reacting to the minute margins on which foreign exchange arbitrageurs operate. But once the rates had been aligned, the volume of business again dwindled to very modest proportions. This week's experience has re-emphasised how large a part of the activity of the foreign exchange market in prewar days was in fact of a speculative character—fed by hot money operations that are now largely barred by exchange control. It has also reinforced the impression that many European foreign exchange markets—perhaps most of them apart from London and Switzerland—are still in a rather embryonic state.

How far can this return to genuine arbitrage operations be regarded as a preparation of the market mechanism for the day when it will be able to apply itself to the much more formidable task of dealing with really free and convertible currencies? It is true that a genuine European foreign exchange market is being recreated and that in due course it will almost certainly be called upon to intrude on the still forbidden ground of arbitrage in forward exchange. There is also good reason to hope that the new system will lead to some easing of procedure in export formalities in the relatively near future. Under present export control regulations, trade between any set of partners in this group must still be conducted in one of their two currencies; under the so-called "CD3" form procedure in Britain, for example, trade can be invoiced and paid for only in sterling or in the currency of the foreign buyer or seller. There is now no reason why these restrictions should not be eased, so as to allow the whole group of EPU currencies to rank jointly and equally, irrespective of the particular country with which the trade is done. But apart from these relatively minor relaxations, it would be unwise to assume that any concrete further steps are necessarily in prospect. In particular, evidence that has accumulated in the past week suggests that too much emphasis should not be laid on the obvious fact that the new arrangements would make it easier to set exchange rates floating within wider margins in Europe. Although floating rates of this kind would probably be a necessary concomitant of any surge towards convertibility and a necessary defensive measure in the event of American slump, it seems—in cold fact—that preparations for this week's experiment were put in hand before the Commonwealth Conference and America's present restrictive financial and monetary policy brought talk of convertibility and slump into fashion.

In these circumstances, perhaps the most surprising thing is that this week's very minor move to freedom was not made long ago. The move, after all, merely amounts to giving authorised European banks a little more rope to play with. Perhaps the pessimists had feared that the Swiss banks, with their tradition of free exchange dealings, might use that rope to tie other people in knots; that the German banks, with their depleted and still sketchy foreign departments, might use it to hang themselves; and that the French banks, operating against their perennially unstable currency, might use it to garrotte their perennially unstable governments. But there was no sign that any such lurid forebodings were still harboured when this week's cautiously-planned experiment went into operation.

Matches under the Microscope

ON the average, each adult in Britain spends about twelve shillings a year on matches, and buys most of these in single twopenny boxes. That is a lot of matches—perhaps 2,750 million boxes of them—but not a large share of personal spending. More than a penny a box goes in Customs and Excise duties, which take about £13 million from total sales of perhaps £22 million, and distributive margins take about £3 million more. So the industry that makes and imports these matches, employing about 3,400 people in twelve factories, with a yearly turnover of less than £6 million, is a small one. But during the past four years it has provided the Monopolies Commission with perhaps its most difficult problem. The Commission's recommended solution was duly forwarded six months ago, with its concomitant embarrassments, to the Board of Trade.

The inquiry into matches and match-making machinery that the Commission began in March, 1949, and completed in October, 1952, differed fundamentally from the five other cases so far investigated in that it concerned an industrial combine, not a trade association or a cartel. The strength of this British combine, moreover, depended largely upon comprehensive arrangements for the sharing both of home and export markets with its largest shareholders, a Swedish match combine with worldwide connections. This raised international issues of some delicacy, not unlike those caused by the recent American anti-trust proceedings against a number of oil companies. The Swedish Match Company could not be examined; and, like the British oil companies, it exercised its undoubted legal right to decline information requested through its British associates by the Commission.

This made the Commission's task of inquiry and report the harder. In its turn, the Board of Trade sat upon the report for six months before publishing it last week, presumably to decide which "information relating to overseas markets" it would be "contrary to the public interest" to publish. Its deletions may account for certain apparent lacunæ in the report as published. Even so, the mass of detail this does contain is too intricate to admit of adequate summary; in sketching the present conditions upon which the Commission has reported, it is hardly possible even to touch upon the historical background its members had to bear in mind in reaching their conclusions.

★

The facts of monopoly in this industry are hardly in dispute. About two-thirds of the matches used in Britain are produced here and one-third imported. The British Match Corporation—a holding company set up in 1927 to unite the manufacturing and importing organisations in this country controlled by the leading British companies and by Swedish Match—control with its associates about 95 per cent of home match production and distributes about 85 per cent of imports, these coming from Swedish Match and its subsidiaries. The group also buys about 86 per cent of the match-making machinery supplied here. Its shares of total sales, exports and imports during 1949-50 are shown in the table, and do not appear to have altered significantly since. It is not this position of dominance, but the way in which this power is maintained and used, that the Commission has concluded "operates, and is likely to operate, against the public interest."

Swedish Match holds 30 per cent of the ordinary stock of BMC (another 5 per cent being held by Diamond, the largest American match producer). But the partnership between BMC and Swedish Match is regulated primarily by trading agreements signed in 1938. The key provision of these lays down that each producer shall compensate the other if its proportion of their joint sales in Britain exceeds an agreed percentage—55 per cent for BMC and 45 per cent for Swedish Match. Compensation is generally at the rate of 1s. per gross of boxes on excess sales; there is a limit of £37,500 on the compensation payable in any one year. At present BMC's share of joint sales is about 67 per cent, and the net profit on its excess sales far exceeds the £37,500 a year it has to pay Swedish Match on this account; BMC does not expect to increase its sales much further. Swedish Match and its subsidiaries sell to Britain only through BMC, which sets the retail price of these imported matches and is in any case

PRODUCTION, EXPORTS, IMPORTS AND HOME SALES OF MATCHES IN UNITED KINGDOM
(Year ended March 31, 1950)

	BMC group	Makers associated with BMC		Independent manufacturers and importers	Totals
		Maguire (NI)	UMI		
Total sales of home-produced matches, including exports—					
Gross of boxes	10,322,176	382,506	426,330	673,474	11,804,488
Per cent	*87·4*	*3·3*	*3·6*	*5·7*	*100*
Exports—					
Gross of boxes	585,470	19,309	...	11,469	616,248
Per cent	*95·5*	*3·1*	...	*1·9*	*100*
Imports—					
Gross of boxes	6,083,008	...	...	764,500	6,847,508
Per cent	*88·8*	...	...	*11·2*	*100*
Sales of home-produced and imported matches to the UK market—					
Gross of boxes	15,819,714	363,197	426,330	1,426,505	18,035,746
Per cent	*87·7*	*2·0*	*2·4*	*7·9*	*100*

guaranteed a fixed profit on them plus payments in respect of any excess by which their average purchase price exceeds an agreed figure.

Swedish Match has not since 1927 manufactured matches, materials or machinery in Britain (though since 1933 the agreement would not have prevented this). The bulk of BMC's basic matchmaking machinery comes from manufacturers in Sweden controlled by Swedish Match, these supplies and technical co-operation being guaranteed by the agreement. A parallel agreement on overseas trading grants BMC and its subsidiaries the sole right to make and sell matches in Canada and Brazil, and the right to make and sell in certain other Latin American countries; provides for co-operation between the two "partners" in other parts of the overseas Commonwealth outside Asia; and precludes BMC from making and selling matches elsewhere.

The trading agreement about sales in Britain seems likely to ensure that the division of the home market between imports and home production will continue in roughly the present proportions. The Monopolies Commission recognises that some advantages flow from this—at a price:

> ... it provides a supply of good quality matches for the consumer and gives BMC an assured market for which it can plan its production. For this stability, however, a price has to be paid—first, the obligation assumed by BMC ... to continue to import a substantial part of the home requirements of matches and to make payments to Swedish Match in respect of BMC matches sold in excess of its quota; secondly, the absence of the stimulus to improve efficiency in production and distribution which competition would provide; and, thirdly, the price which the United Kingdom consumer is charged for his matches and which BMC is able to fix at a level that provides a comfortable profit for its highest cost plant. ...

The Commission is not prepared to say that the agreement about overseas markets is, in itself, contrary to the public interest (of the United Kingdom). Moreover, it feels that the features of the trading agreements it considers objectionable could probably not be nullified without leading to their termination; and it is not satisfied that on balance any proposals that would involve a serious risk of this termination would be justified.

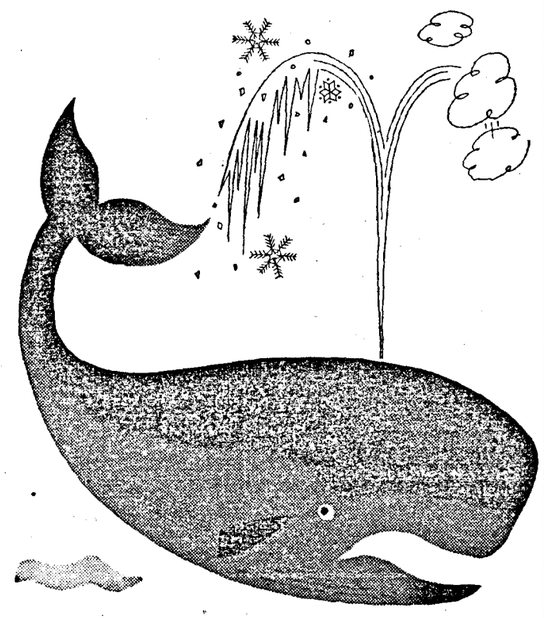
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The principal ways in which the Commission holds this "complete and integrated monopoly" to have operated or to operate against the public interest consist mainly of parts of the agreements of which it is not prepared to risk the termination, and in particular of the arrangements for regulating the two combines' sales here. Competitive imports of matches, mainly from Eastern Europe, have in fact been resumed since the war and are increasing, though in 1951 they were less than a fifth by volume of imports from companies controlled by Swedish Match. The refusal to allow independent British match manufacturers to buy machinery from companies controlled by Swedish Match continues as a consequence of the trading agreements, which also took account of the system of underselling competitors in particular areas that BMC at times adopted before the war. The British match combine has large interests in certain suppliers of matchmaking materials in this country; it has never caused them to be withheld from its competitors, though these have been charged more than its own subsidiaries have to pay.

Lack of competition in the supply of matches in Britain, the Commission further finds:

> has resulted in profits and prices being higher than they would otherwise have been, and at certain times this has also been true of costs.

Judgment of rates of profit must depend to a large extent upon the definition of capital employed; the second table shows rates of return on capital for BMC's three main manufacturing subsidiaries in 1949 and



"I'm blowing hot and cold today," wailed the whale

"I wish I could exercise closer control over my temperature. There are factories with heating systems even bigger than mine and they manage it all right. Of course, the most efficient of them use oil fuel, and take advantage of the technical service provided by Shell-Mex and B.P. Ltd. No wonder everything goes swimmingly in their works."

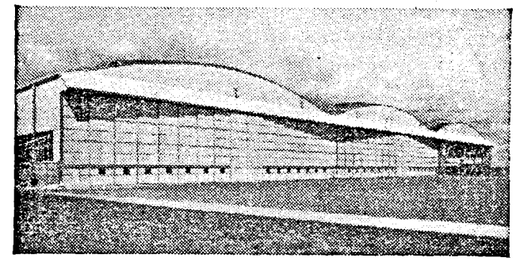


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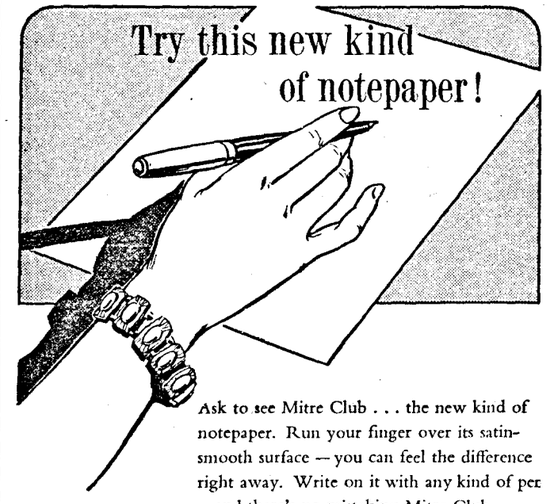
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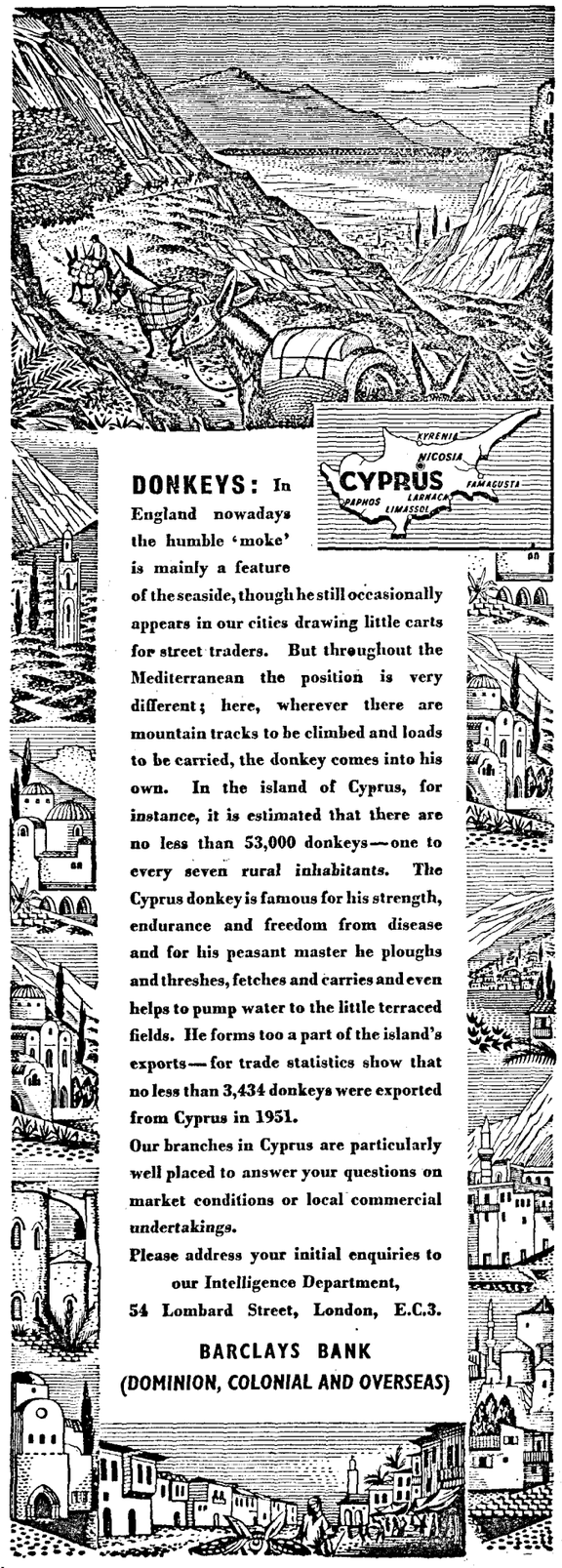


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DONKEYS: In England nowadays the humble 'moke' is mainly a feature of the seaside, though he still occasionally appears in our cities drawing little carts for street traders. But throughout the Mediterranean the position is very different; here, wherever there are mountain tracks to be climbed and loads to be carried, the donkey comes into his own. In the island of Cyprus, for instance, it is estimated that there are no less than 53,000 donkeys—one to every seven rural inhabitants. The Cyprus donkey is famous for his strength, endurance and freedom from disease and for his peasant master he ploughs and threshes, fetches and carries and even helps to pump water to the little terraced fields. He forms too a part of the island's exports—for trade statistics show that no less than 3,434 donkeys were exported from Cyprus in 1951.

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1950, calculated in three different ways. The Commission defined capital employed as assets at cost, less depreciation where appropriate (generally at Inland Revenue rates), less current liabilities and provisions; BMC proposed the inclusion of fixed assets either at replacement cost, calculated from insurance values, or at original cost without deducting depreciation. Whether profits are "higher than they would otherwise have been" involves, again, arbitrary decision; the Commission is satisfied that they were.

In 1950, the Commission reports, the costs of Bryant and May, the largest of the BMC manufacturers, were roughly 1s. a gross higher than those of the lowest-cost BMC company; since Bryant and May earned about a shilling a gross on home sales, the other company could show a profit of more than 2s. a gross. This reflected the comparative rate of modernisation in the companies' plants: it may be noted that since the war the two main independent manufacturers had the highest costs of any producer. The manufacturers' price was then of about 6s. 6d. a gross. In the last two years, BMC told the Commission, independent imports have been offered at a landed cost here varying from 2s. 11d. to 4s. 8d. a gross, mainly from Eastern Europe.

RETURN ON CAPITAL EMPLOYED—THREE BRITISH MATCH MANUFACTURERS, 1949 AND 1950

Manufacturer		Commission's computation	BMC's computations: At current replacement prices	BMC's computations: Original cost without deducting depreciation
		%	%	%
Bryant & May,	1949..	22	9	15
	1950..	17	6	11
Moreland,	1949..	51	31	33
	1950..	46	23	30
Masters,	1949..	51	18	34
	1950..	51	15	33

The retail price of a single box of matches can vary only according to the coinage; before the war packets of a dozen boxes were sold at competitive prices, but this type of sale is only slowly returning. The price can still be varied, however, by changing the average number of matches to the box.

★

To the consumer the extra cost of monopoly in matches can hardly be counted as very large; and many consumers, comfortably if erroneously, might count it worth while to get matches that usually light first time. Neither consideration affects the principle, but they may have rendered the Commission's task of recommendation slightly simpler. Such points presumably led it to judge that on balance, in this industry, the repercussions of radical modifications that might cause the termination of the trading agreements with Swedish Match would not be justified. The Commission held, moreover, that to sever the connection between BMC and Swedish Match would not obtain effective competition here without breaking up BMC into two or three competing concerns. Here it had the example of the American consent decree, under which in 1946 certain large match companies in the United States agreed to divest themselves of stockholdings in other match companies and to have in common neither officers nor directors. The Commission, however, was not concerned to follow or to set examples. It was not satisfied that to break up BMC, even if practicable, would be beneficial on balance or likely to prove lasting Its broad recommendation is "only a partial remedy": to regulate the monopoly in the public interest—primarily by a strict price control.

Two of its members doubted if this would be enough. Price control, they agreed, would provide some safeguard, but they doubted if it could be administered to stimulate improvement or to "disturb the entrenched position of this monopoly." They feel that the quota arrangements between BMC and Swedish Match should be abolished; and that internal competition should be promoted by setting up an exclusive purchasing agency under public control, empowered to buy either all matches supplied in Britain, or all matches imported.

These minority proposals have a certain intrinsic attraction. The purchasing agency idea, for example, would suit the fashionable doctrine that "countervailing power" is an adequate substitute for competition, and may appear preferable to a rigid apparatus of Government price control. But such a monopoly buying agency, at any rate if its rights covered home-produced as well as imported matches, might in practice develop into little more than a price control authority itself—and probably a costly one. Nobody—and particularly no Tory—will find the alternative of rigid price control attractive; and this Government obviously cannot follow the course that might appeal to its opponents—the acquiring of a sizeable holding in BMC, investing the combined arrangements with the dubious sanctity of State participation. As the Monopolies Commission admitted, there is some force in the argument that a monopoly, in some form or another, is probably the natural organisation for the match trade. But whether the stability of the *status quo* in the international market is so valuable, and BMC's technical dependence upon Swedish Match so considerable, that the quota arrangements with Swedish Match cannot be interfered with, is perhaps still an open question. It is for the Government, not the match manufacturers, to decide whether their industry needs protection from foreign competition—even the competition of a powerful foreign combine. Measures that might make imported matches more generally and genuinely competitive with home-produced, whatever the shape of the British industry, might offer an alternative to strict and everlasting Government control, and at the same time benefit the consumer.

Business Notes

High Noon for Company Reports

THIS is the time of the year when the investor who seeks to keep informed about the underlying security of his shares has to burn the midnight oil. In the last two weeks he has been assailed from all sides by a flood of reports from the whales and minnows of British industry. The preliminary accounts of four of these leviathans were analysed in an article in last week's issue of *The Economist*. Now the full reports of five more of them—Unilever, ICI, Anglo-Iranian, Dunlop and United Molasses—are discussed in detail in Company Notes on page 550 of this issue. All of these companies have reported a contraction in profits. Profits earned by Unilever, ICI and Anglo Iranian fell by between 17 and 19 per cent; while United Molasses and Dunlop stand on either side of this bracket, by reporting declines of 11 per cent and 27 per cent respectively. Clearly the minor recession in trade and the curb to inflationary pressures have bitten far more deeply into the earnings of the big international trading organisations than into those of companies trading at home, whose aggregate profits declined last year by about 7 per cent. Fortunately, taxation charges have fallen too and, as the problem of replacing stocks is no longer exacerbated by soaring prices, the directors of four of these companies have felt confident enough to pay out the same dividends; whilst the fifth, Anglo-Iranian, has actually increased its ordinary dividend from 30 to 35 per cent.

★

Last year's downward swoop in prices led to quite considerable losses on stocks—in direct contrast to the experience of these companies in 1951, when capital gains were made on stocks in the wake of the steady increase in prices—but at the same time it has reduced the working capital that had to be locked away in stock commitments. The book value of stocks held by three of these companies—Unilever, Dunlop and United Molasses—fell last year, while a reduction in the value of stocks held by the parent company in the ICI group was taken as an opportunity to increase the volume of stocks held abroad by subsidiaries. The lightening of this burden led in turn to a welcome reinforcement of the companies' liquid resources; they were only too glad, in view of the high cost of short term borrowings, to take the opportunity of paying off some of their temporary loans. The general impression given by these reports is, therefore, not a dismal one. Profits mean much more than they did in the years of inflation; in most cases they are now rising again after last year's setback, and—provided no trading recession is wafted in from the west—they seem likely to continue to do so throughout 1953.

Coal After the Winter

DISTRIBUTED coal stocks at the beginning of May—the end of the "coal winter"—amounted to about 12½ million tons, more than a million tons lower than a year before. The Ministry of Fuel and Power appears still to feel that distributed stocks should be built up to more than 19 million tons for the beginning of next winter. This will not be easy. During the coal summer last year, only about 5½ million tons were added to stocks; to reach the same level this year would require an addition of about 6½ million tons. But this year the miners have an extra week's holiday during the summer, and in addition the extra public holiday for the Coronation. There is no reason to count upon any considerable improvement in output, since productivity seems as yet to be showing little response to the appeal of the industry's leaders and absenteeism continues to be at a higher rate than last year. The Board has admittedly more than 2 million tons of opencast coal in stock compared with about half a million tons at this time last year, though about 600,000 tons of this is "second quality" and not ordinarily classed as saleable.

★

Exports so far this year have been nearly 5 million tons, nearly 1½ million tons higher than by this time in 1951; whether this rate of increase can be maintained if the winter safety level of stocks is to be reached seems a little doubtful. Within these total figures, the prospects for domestic coal in particular are causing some anxiety in the industry and the coal trade. Last year, despite adequate stocks at the beginning of the winter, the early onset of cold weather nearly brought about a coal crisis. This year, Sir Eric Coates, Deputy Chairman of the National Coal Board, told the merchants last week "supplies to the house coal market will be no higher and may well be less than in recent summer periods." The merchants whom he was urging to build up their summer stocks have to bear in mind that consumers are reluctant to accept the poorer qualities and smaller sizes of coal that the Board is supplying to the domestic market. Sir Eric mentioned that the Board had suggested, as a way of dealing with this market resistance, that the price of the better coal should be put up and the prices of the lower grade coals substantially reduced. When the Government allowed the general increase in the price of coal in the spring, it decided that this widening of the price range for domestic coals should not be allowed. The Coal Board says that it has not abandoned its ideas; it seems a pity that the Government should have caused their postponement. On the few occasions when the Board does show signs of employing what Sir Eric called "the age-old use of the price mechanism" it should certainly not be discouraged.

£27,000 Million of Investments

THE annual statistical return from the Stock Exchange (which is reproduced in detail in this week's issue of the *Records and Statistics* supplement) shows that the aggregate market value of all securities quoted on the London Stock Exchange was £27,130 million at the end of last March. This was £1,687 million higher than a year before, but it was still nearly £1,000 million less than the postwar peak of £28,078 million recorded in April, 1947. About half of last year's increase seems to have been due to a genuine increase in values, since the winter recovery in prices exceeded the summer slump. The other half was merely a reflection of last year's crop of new issues and placings. The Council granted 847 applications for quotations for securities with a total nominal worth of £1,922 million (compared with £1,534 million in 1951-52). After allowing for securities that were repaid or fell by the wayside, net nominal values of all securities rose by £730 million to £25,624 million.

A Bank rate of 4 per cent did not prevent the market value of British Government securities from rising from £11,841 million to £12,369 million and that of Guaranteed and Nationalisation stocks from £2,040 million to £2,414 million; these movements reflect a slight but definite accretion in capital values over the year, for the nominal value of these securities rose by less than these amounts (from £13,771 million to £13,940 million in the case of British Government stocks and from £2,578 million to £2,859 million in the case of Guaranteed and Nationalisation stocks). Similarly, the increase in the market value of securities quoted in the Commercial and Industrial list (from £4,304 million to £4,846 million) was bigger than the rise in their nominal value (from £2,323 million to £2,496 million); this is perhaps the last spadeful of earth thudding on the coffin of the policy of dividend restraint. Following in the wake of this increase, stocks in oil companies, banks and discount houses, breweries and distilleries and investment trusts also chalked up quite notable advances in market values. On the other hand, there were sharp falls in the shares of plantation companies and overseas railways, while in the mines group only South African and Rhodesian shares put up any resistance to a bear market. Of all these statistics perhaps the most telling is that the number of bargains marked in the year to March 24th fell from 2,077,421 to 1,701,690; this was only 135,410 higher than in 1949-50, the idlest postwar year of all.

This meagre annual return of Stock Exchange statistics always raises far more questions than it answers. How many individuals now buy securities through the Stock Exchange? How many of them—they must be precious few—are adding more to their portfolios than they are selling off? How large a proportion of this £27,000 million of securities is held by institutions that cannot venture far into the field of risk investment? How does this proportion compare with before the war? The statistical difficulties set by nominee holdings and so on mean that no exact answers to any of these questions could be secured even after hard and co-operative digging by the Stock Exchange and the Central Statistical Office; but until there is enough co-operative digging to carry the uninformed at least part of the way along, there will be no real public understanding of the emerging risk capital problem—which, more than anything else, represents a serious threat to Britain's future standard of life.

King Log in Throgmorton Street

THE Council of the Stock Exchange, unfortunately, still seems chary of pinning its mounting and welcome publicity campaign to this all-important problem of risk capital. It still regards itself as on the defensive against misrepresentation instead of on the offensive against a grave if long-term danger to the nation's prosperity—and to its own existence. And in that defensive battle it is willing to accept quite pointless restrictions on its own efficient working in order to avoid "provocation" to the more ignorant of its enemies. At this week's meeting of the Stock Exchange, the chairman of the Council, Mr J. B. Braithwaite, again explained that the Council had decided against the resumption of option dealings because of its fear of "misrepresentation." He declared that only a minority of jobbers thought that option dealings would lead to increased business and that most brokers would never deal in options anyway, but that a large majority of brokers and a smaller majority of jobbers still wanted option facilities to be restored. Nevertheless, the Council has decided against them, although it is going to give further consideration to the question of allowing free contangos between brokers. As an appendage to this unhappy story of restricted enterprise, Mr Braithwaite announced that he did not think that there was much hope that "new members will come forward in sufficient numbers to balance the loss by death or resignation"; that the Stock Exchange must expect that its working deficit in the present financial year will be "considerably larger" than last year's deficit of £7,853; and that "members must be prepared to provide an increased revenue from subscriptions for 1954-55."

A pressure group of dissenting members of the House is being set up to try to combat the Council's decision on options; but it is not internal pressure of which the Council is now afraid. The real misfortune is that it is to nobody's interest—so long as a Stock Exchange exists—that it should perform its functions in a freightened and restrictive manner. Could not Mr Gaitskell, or some other responsible Opposition member, drop a remark in some public utterance to this effect? On a relatively minor but essentially silly issue—for the ban on option dealings is nothing if not that—this would be a statesmanlike utterance. It would also be political horse-sense.

Timber at the Treasury

ALTHOUGH restrictions on the private importing of softwood were removed last year, the Government deliberately retained consumer licensing as a device to restrict imports and so curtail expenditure of foreign currency. The battle to get this final shackle removed is now being carried on by the representatives of the Timber

Development Association on an inter-departmental committee, which was set up by the Government early this year to estimate how much more softwood would be used if consumer licensing were abolished. Treasury planners, who in past negotiations have remained aloof and sinister behind other ministries, sit on this committee and can now be confronted by trade representatives to whom they are being obliged to reveal the workings of their minds.

They would do well to explain these workings to the general public as well. The bare figures behind the debate are that in 1952 timber imports, at £164 million, ranked third behind fats and oils and wool among Britain's raw material imports. Of these total timber imports, imports of softwood accounted for a little over half: they amounted to just under one million standards by volume and £89 million by value, of which £47 million came from the dollar area and £24 million from Finland and Sweden. Consumer licences in 1953 are expected to amount to about 1.2 million standards and imports consequently to be only a little above this quantity. The Timber Development Association, which has just published its annual report, estimates that removal of consumer licensing would lead to increased consumption of about 250,000 standards a year. This might cost about £18 million in foreign exchange.

If the inter-departmental committee confirms this estimate, the Treasury will have to decide whether it is prepared to face increased foreign currency expenditure of this amount. But it will also have to face up to the fact that by denying softwood to the building trade and to industry generally, it is hampering production, sending up costs, and enforcing the use of expensive substitutes. What is the Treasury formula for measuring increased building costs against reserves of foreign exchange? In a recent publication sponsored by the Ministry of Housing, as Mr Graham Hutton has pointed out in a letter to *The Times*, the Government has actually recommended the use of substitutes that would apparently cost about £177 million for every £61 million of softwood saved. Even if the effects on Britain's exports to timber-producing countries are ignored —and Germany is already ousting British chemicals and motor cars from Scandinavia—it is quite absurd to base economic planning on the assumption that the true exchange value of sterling is about ninety-seven US cents to the pound.

The Doctor's Dilemma

THE Minister of Health's complaints in the House of Commons on Monday of the cost of proprietary medicines is evidence of his Ministry's dislike of the practice of giving brand names to drugs. In the sense in which it was used on Monday, the term "proprietary" embraced not only patent medicines that are advertised and sold direct to the public, but also the so-called "ethical" preparations that are advertised only to doctors and the trade. By definition, these drugs, too, are "proprietary" whenever the maker's name, or his brand name, appears on a prescription. The industry considers that the heavy risks peculiar to the manufacture and especially to the development of drugs justifies the use of branded names as a device for attracting prescriptions. But the Ministry of Health accountants see them as a means of keeping chemists' shelves overstocked with near-identical preparations that are sometimes more expensive than the unbranded "national formulary" compound would have been; regardless of the fact that a chemist will often supply the first branded product to hand for an open prescription. It is for this reason that the Minister, who had already invited doctors not to prescribe drugs that Sir Henry Cohen's Committee has decided are "not of proved therapeutic value," is now going to tackle the 4,000 proprietary preparations that the committee has declared are "not superior to standard preparations but should be prescribable subject to satisfactory price arrangement"; he is going to look into these and in due course to circulate to doctors another little list, showing those "proprietaries concerning which the Government is unable to reach satisfactory agreements on price." Doctors, however, always retain the right to prescribe what they think fit.

As a general rule, any sign that a Conservative Government may be willing to use the weapon of publicity to break down the barriers of consumer ignorance—which litter the whole field of retail trade, especially in price maintained goods—is to be welcomed. But it is not going to be at all easy to find out which manufacturers are in fact making high profits merely "by wrapping up standard preparations in pretty packages," although some certainly do exist. Research costs in the industry are heavy, and the outcome frequently uncertain. The big companies spend well into six figures a year apiece, and a single qualified worker, with his assistants and equipment, may cost £10,000 a year. Even when a product is successful, it does not inevitably repay its research costs, which become a charge on overheads. Another product, if it becomes the recognised form of treatment for a wide range of ailments, may cover costs several times over but much of the profit must be charged with the costs of unsuccessful projects. The industry treats its research expenditure as an overhead expense, without attempting to relate it in too much detail to the individual projects; and the way in which these overheads are distributed between the various products in production is very much a matter of individual company policy.

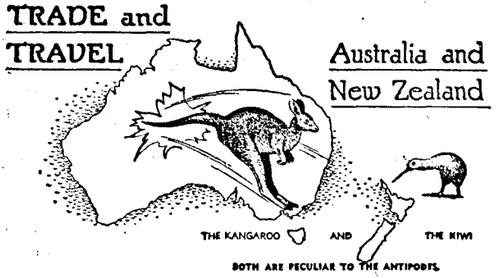
The cost investigations that are to be undertaken by the Ministry of Health into some of the seemingly expensive proprietaries may find that prices appear high in relation to unit costs of production; but the Ministry will then be faced with the difficult task of telling the company how much of the overhead research charge it is entitled to add to those production costs in reaching a fair selling price. This is likely to be particularly pertinent in the case of the small companies that specialise in a limited range of products. These companies play a vital role in the industry, but since a project may take four or five years to mature, they have often to wait a long time for results. It will, as the Minister admitted, be difficult to distinguish such cases from "firms who batten on the health service."

Improving Terms of Trade

THE impending reversal of the improvement in the terms of trade, which Government economists were talking about at the beginning of this year, still shows no signs of materialising. The price of imported food, drink and

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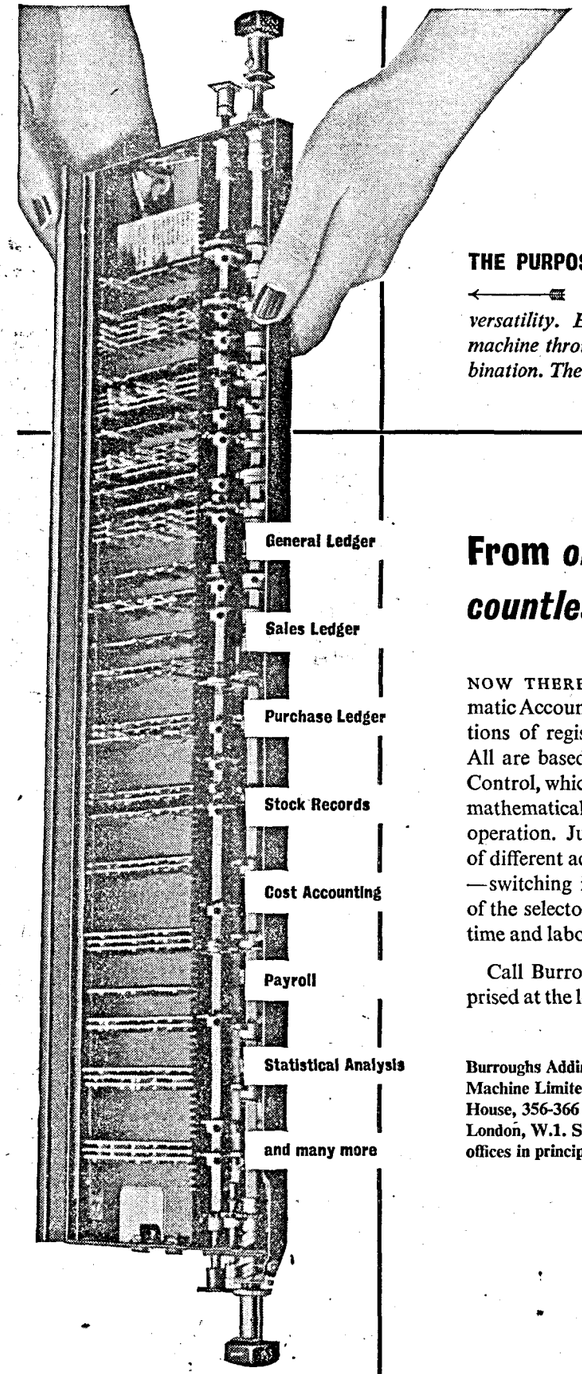
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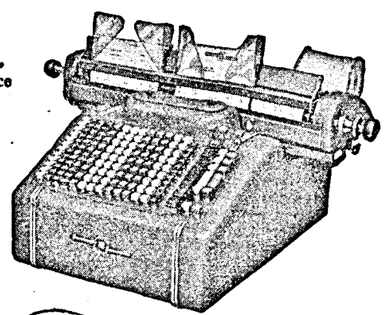
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tobacco rose a little in April, but the price of imported raw materials continued to fall more sharply. The Board of Trade monthly index (1952=100) shows an increase in April for imported food of one point to 98, but the index for raw materials fell by two points to 84, making a drop of five points since January ; the index for imported manufactured goods, at 89, showed no change on the month. The resulting total index for imports is 90, or one point down since March and three points down since January. The index for export prices in April shows a fall of one point for textiles (to 91) and a fall of two points for other manufacturers (to 93); but metal and engineering exports, at 101, are one point dearer, so that the total index for exports remains unchanged at 97. With total export prices unaltered and import prices down one point, the terms of trade for April improved one point on the month to 93—the same index figure as in February ; but no less than 10 per cent better than a year ago.

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The detailed trade figures for April show that the month's increase of £6.3 million in exports (compared with the monthly average for the first quarter of the year) was all in shipments of manufactures ; indeed exports of engineering products alone increased by £6 million. The equivalent increase of £21 million in imports compared with the first quarter of the year was mainly in food, drink and tobacco, but there was also a further decline, of £2 million, in the import of manufactures ; in April manufactured imports were at only three-quarters of the rate at which they were running in the first half of 1952—before the import restrictions of November, 1951, and March, 1952, had taken full effect.

Three Creditors in Europe

THREE countries dominated the creditor side of the compensations at the European Payments Union for April. They were Germany, the United Kingdom and the Netherlands—in that order. The United Kingdom surplus of $42.7 million had been announced in London earlier this month. It was settled as to one half in credit and one half in gold ; the credit repayment reduced Britain's overdraft with EPU to $542.4 million. At the rate of surplus maintained last month, it would take the United Kingdom just on two years to repay this overdraft and to start going through its quota on the creditor side of the account. Germany is in a much happier position. Last month it achieved a surplus of $43.3 million, of which one half accrued in the form of gold. Germany has now built up a credit balance of $292.2 million with EPU and has ousted Belgium-Luxemburg from first place in the list of EPU creditors. On balance Germany has secured $192.2 million in gold from EPU, which makes it the largest recipient so far. The Netherlands last month had a surplus of $14.2 million. It too has crept up into remarkable surplus with EPU in the last year. Its accumulated credit with the Union now stands at $221.5 million, which is within striking distance of the Belgian credit balance of $228.2 million (and Belgium had a deficit of $17.9 million last month).

On the debit side, the latest EPU compensation, as is now usual, was dominated by France, whose deficit for the month amounted to $51.6 million. The whole of this was payable in gold, for France's cumulative deficit has now exceeded its quota in the Union by more than $150 million ; but the $51.6 million needed has been met out of a special and unexpected receipt of $60 million from the United States. This was ostensibly transferred to France in respect of military expenditure in Indo-China. The fact that it was necessary to use this windfall to make the payment to EPU shows how desperately France is now living from hand to mouth.

Wait and See for Rubber

THE International Study Group, which recently concluded its annual meeting at Copenhagen, had before it a draft plan for the creation of a rubber buffer stock, but it has decided that the moment is not opportune for inviting the United National to summon an international conference on this draft plan. Instead it has made arrangements to re-convene itself, at a special group meeting in the autumn, to reconsider the rubber situation as it may appear then. This is a sad but sensible compromise. It would have been useless to push on with plans to create a buffer stock in face of the opposition of American interests and the indecision of some other countries ; but it would have been still sillier to have thrown out of the window, in a fit of despondency, a plan that will become more urgent—and may become more popular—if worldwide recession returns.

At the moment, although the London spot price of rubber is still hovering around the very low level of 21d per lb, rubber producers seem less anxious about over-production than they were a year ago. The group estimates this year's world production of natural rubber at about 1,788,000 tons, and it believes that consumption should amount to about 1,600,000 tons ; this projected surplus of about 188,000 tons looks less menacing now that there are signs that increasing American commercial demand may take up the slack that the end of stockpiling threatened to create. The group estimates synthetic rubber production in 1953 at 989,000 tons and probable demand at about 909,000 tons. Rubber producers are notoriously apt to bounce wildly between extreme pessimism and unjustified optimism at the slight shimmer in market conditions ; if world recession holds off and demand picks up, there is a real danger that the buffer stock scheme may have faded further into the background by the autumn. But by then more will be known about the Americans' plans for disposal of their synthetic plants. The interval should be used wisely and determinedly to amend the draft buffer scheme still further, the better to stand the test of international scrutiny on a more propitious—or still more rainy—day.

Car Prospects

HAD it not been for the twelve-week strike at the Austin works, car production during the first quarter of the year would have shown an increase more in keeping

with the rising tempo in the rest of the industry. As it is, the 129,176 cars then produced outnumbered those for either the preceding three months (123,725) or for the first quarter of 1952 (113,505). The effect of the strike was to reduce the rate of output for the industry from 10,213 cars a week in January, when some factories were on short time, to 9,617 in March—when, with the exception of Austin, most plants were turning out more cars than at the beginning of the year. The Ford Motor Company produced more than 20,000 units (including tractors) during the month, the highest figure yet reached at Dagenham. In Coventry, the Standard Motor Company has been steadily raising production from the levels to which it sank early this year, when import restrictions in some of the best foreign markets for tractors coincided with a disruption of car schedules caused by model changes. By April, tractor production was back to 265 a day—normal two-shift output being around 300 a day—and the company's combined daily output is at present running at more than 500 units. With the new Vanguard in production, but tooling barely completed for the small car that is eventually expected to account for roughly three-quarters of the company's car output, Standard is relying rather more heavily on tractors than on cars.

The recent modest relaxations of the restrictions on imports of tractors into Australia and certain other markets suggest that exports will rise during the summer. But in the first quarter of this year they were down to 22,998, compared with 31,370 in the same period last year. This decline, like that in car exports, was of course chiefly brought about by the trade restrictions. Shipments of cars to commonwealth markets fell from 74,234 in the first quarter of 1952 (when 34,000 went to Australia in an attempt to beat the import ban) to 37,492 in the first quarter of this year. Canada, which is included in this total, hardly functions as a market during the winter months when the ports are icebound; yet deliveries during the period increased from less than 550 last year to more than 5,000 this year.

Sales to other overseas markets increased slightly, from 26,000 cars last year to nearly 30,000 this year—including a rise of from 4,286 to 9,798 in exports to the United States. Given the same rate of output, British factories appear able to produce more cheaply than American; Coventry-built Ferguson tractors sell in Canada for less than the American built, but in the car industry, where total British output amounts to only one-eighth of that of a single American model, the story is, of course, very different. Seasonal influences are likely to ensure a continuing rise in car exports during the next few months, but the industry may sustain a set-back in the autumn and winter unless a relaxation on import restrictions in Australia makes it possible to increase deliveries to the Southern Hemisphere.

Pre-Budget Sales

THE shops were generally busy in the month before the budget except in those departments where the goods carried heavy amounts of purchase tax. Sales in general, as measured by the index (1950=100) rose from 112 in both January and February to 120 in March, compared with a rise of 4 points, to 109, between February and March last year. In the majority of cases, the rise in sales between the two months appears to have been far more marked this year than last. Food is one exception; the index moved here only two points in both years, and now stands at 132 compared with 119 in 1952. Another exception was chemists' sales, which showed a seasonal decline. Clothing sales reported by the big shops rose from 83 to 104, whereas last year, when prices were considerably higher, they rose by only 12 points, to 96. Sales of furniture and household textiles also rose, the big shops and the independent retailers recording improvements of 13 and 11 points respectively between February and March. Compared with last March, the big shops' sales have risen one point and the independents' 7 points. This slight improvement bears no comparison with the sudden jump in furniture sales shown by the multiple stores (presumably led by Great Universal Stores' furniture chain), the index for which moved from 125 to 156 between February and March, bringing it 41 points above the figure for March last year.

Except on the more expensive types of furniture, the amount of purchase tax on household goods and clothing is rarely high enough to carry much weight with the consumer. But it falls especially heavily on household electrical equipment and on radio and television sets. Sales of these goods, which are recorded separately only by the independent shops, fell noticeably, from 159 in February to 136 in March, compared with 149 the year before. Since television sales might have been expected to reflect the dual stimulus of the expanding transmission area and the coronation, the decline in this heavily taxed group suggests that buyers did tend to postpone purchase until the budget. In April, manufacturers delivered nearly 200,000 television sets to retailers (including sets already in the shops on "sale or return"), the highest monthly delivery so far.

Stocks of non-food merchandise are in general down in value by 7 per cent compared with March last year, those of men's and boys' clothes, which were slow to move, are down by 20 per cent. Hardware, radio and electrical goods as a group show an 11 per cent fall in the value of stocks, while sports goods, toys and bicycles, once heavily stocked because of a fear of shortages, are down by as much as 16 per cent. The biggest fall in stocks, one of 17 per cent, is recorded in the west end of London, where sales for the past year have lagged behind those of the rest of the country. With a high concentration of luxury shops, this area of London has been hit hardest by buyers' resistance to high prices last year, and probably also by a decision to wait for tax changes. In the first two months of the retail year, when sales over the country as a whole rose by 8 per cent compared with the same period of 1952, those in central London rose only 5 per cent, the second lowest increase in the country.

Still Profitable Copper

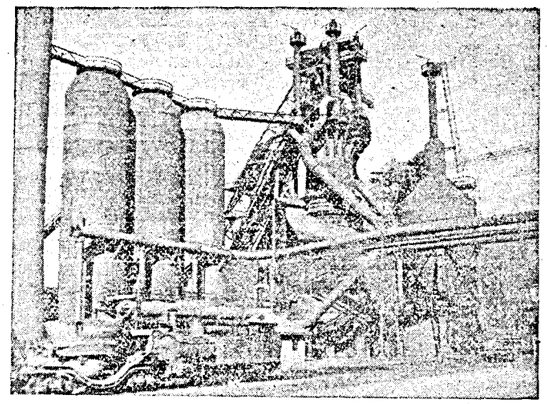
THE Rhodesian copper belt has recovered remarkably quickly from the setback it suffered last winter when production was brought to a standstill by the African labour strike. The March quarterly reports of two of its most

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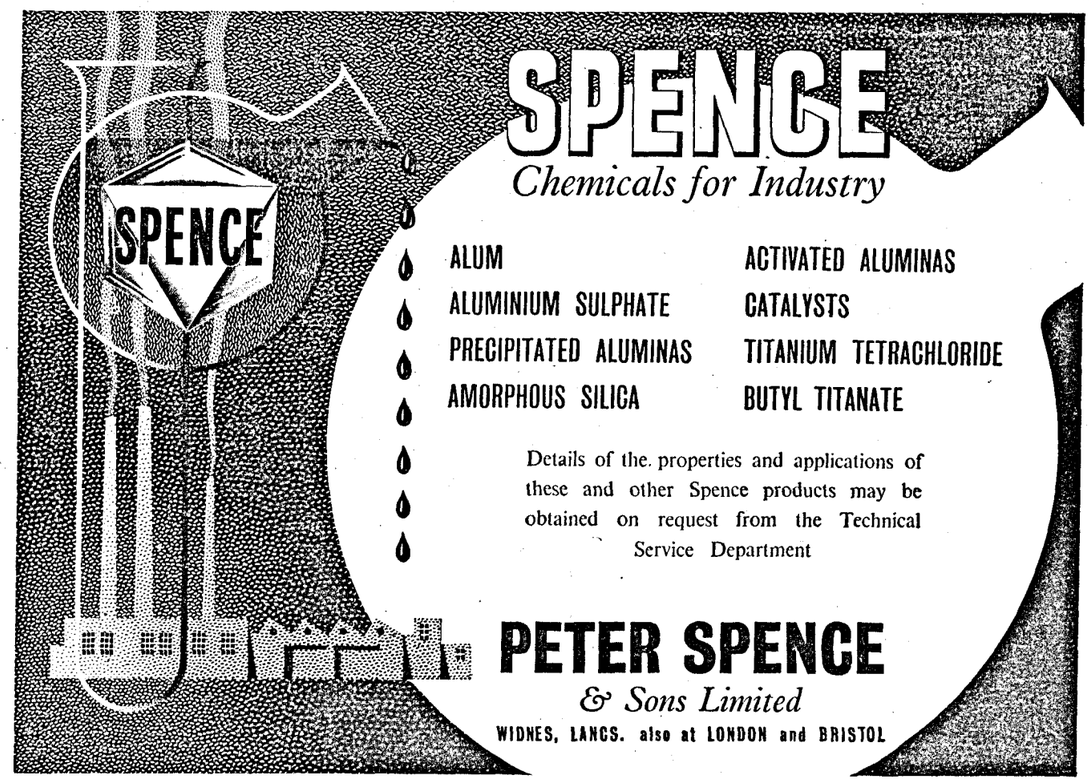
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De Beers Consolidated Mines, Ltd.

(Incorporated in the Union of South Africa)

ABRIDGED REPORT OF THE DIRECTORS

For the year ended 31st December, 1952

CAPITAL.—There has been no change in the Authorised Capital.

During the year the Issued Capital was increased to £6,082,153 10s. 0d. by the issue of 6,984 Deferred Shares of 5s. each in exchange for 5,589 Ordinary Shares of 10s. each in The Consolidated Diamond Mines of South-West Africa, Limited.

FIXED ASSETS

The book value of your Company's fixed assets at 31st December, 1951, was ...		£15,703,822
During the year 1952 the following shares were acquired:		
5,589 Ordinary Shares in The Consolidated Diamond Mines of South-West Africa, Limited, in exchange for 6,984 Deferred Shares in your Company... ...	1,746	
14,715 Ordinary Shares in The Consolidated Diamond Mines of South-West Africa, Limited, purchased for	61,103	
8,000,000 Shares in The Diamond Corporation, Limited, received as a scrip dividend	8,000,000	
52 Deferred Shares in Premier (Transvaal) Diamond Mining Company, Limited, purchased for	27	
		23,766,698
Less: Sales—		
60,000 Shares in The Diamond Trading Company, Limited... ...	60,000	
150,000 Shares in The Diamond Purchasing and Trading Company, Limited	150,000	
Landed Property sold	1,166	
	211,166	
		23,555,532
Add: Nominal Value of Mining Stores previously included in the item "Machinery, Permanent Works, Buildings, Stores and Livestock," but now shown separately		1
As per Balance Sheet as at 31st December, 1952		£23,555,533

PROFITS AND APPROPRIATIONS.—The following is an analysis of the Profit and Loss and Appropriation Accounts for the year ended 31st December, 1952:—

Diamond Account		£7,694,555
Interest and Dividends on Investments		7,077,612
Profit on Realisation of Trade Investments		220,489
Sundry Revenue		2,454
		15,995,110
Deduct: Mining and General Expenditure		3,087,711
Profit for the year		£11,917,399
Appropriations:—		
Provision for Taxation	1,825,000	
Provision for Depreciation of Government and Local Authority Securities	500,000	
Preference Dividends	800,000	
Deferred Dividends	8,164,282	
Directors' Additional Remuneration	20,000	
	11,309,282	
		608,117
Add: Scrip dividends received from the Diamond Corporation, viz.:—		
8,000,000 £1 shares in The Diamond Corporation, Limited ...	8,000,000	
1,200,000 £1 shares in De Beers Investment Trust, Limited ...	2,400,000	
	10,400,000	
Less: Funds Appropriated for expenditure on Fixed Assets in excess of Issued Capital...	7,849,966	
Transferred to General Reserve	2,500,000	
	10,349,966	
		50,034
		658,151
Add: Adjustment in Diamond Stocks previously shown in the Balance Sheet at the nominal value of £1 but now shown at cost of production		311,946
Add: Unappropriated Profit at 31st December, 1951	7,437,552	
Less: Appropriated for De Beers Pension Fund	942,713	
		6,494,839
Unappropriated Balance at 31st December, 1952		£7,464,936

PROFIT AND LOSS ACCOUNT.—The total revenue for the year as per the Profit and Loss Account was £15,995,110, which is £783,455 less than the previous year's figure of £15,788,565. The credit to Diamond Account was £7,694,555—a decrease of £1,156,171 compared with the previous year's credit of £8,850,726. During the year there were smaller deliveries of diamonds due to the fact that in 1951 Dutoitspan Mine worked eleven hour daily shifts whilst as from the beginning of 1952 normal daily shifts of eight hours were resumed with a consequent drop in production. Furthermore, there was a decrease in production and deliveries from Jagersfontein Mine and Kleinzee, due to a drop in the grade at these properties, and similarly a decrease from the working of sundry old surface dumps at Kimberley, where the diamond content varies considerably.

Interest and Dividends on Investments were higher by £155,429 and amounted to £7,077,612. The amount of £220,489 being profit on the realisation of trade investments is the profit on the sale of shares in The Diamond Trading Company, Limited, and the Diamond Purchasing and Trading Company, Limited, to which further reference will be made herein. The total expenditure for the year was £3,087,711 which compared with £2,850,010 during 1951. As in the previous year the increase in Mining Expenditure is mainly due to the continued rise in the cost of wages, stores and sundry services.

In summary, there was a decrease in total revenue for the year of £783,455 and an increase in expenditure of £237,701 resulting in a decrease of £1,021,156 in the profits which were £11,917,399 as compared with £12,938,555 for 1951.

APPROPRIATION ACCOUNT.—There was an unappropriated balance of £7,437,552 brought forward from 1951 from which has been deducted the sum of £942,713 which, together with the sum of £272,989 transferred from Reserve for Allowances to Retired Employees, has provided the Company's initial contribution to De Beers Pension Fund, which fund as stated by the Chairman in his address to Shareholders last year, was inaugurated as from 1st January, 1952. To the remaining unappropriated balance of £6,494,839 has been added the year's profit of £11,917,399, a credit of £311,946 in respect of an adjustment in diamond stocks, and a credit of £10,400,000 representing scrip dividends received from the Diamond Corporation, giving a gross credit to Appropriation Account of £29,124,134, against which appropriations were made totalling £21,659,248.

DIVIDENDS.—During the year dividends totalling £1 per share were declared on the Preference Shares. On the Deferred Shares an interim dividend of 4/- per share was declared payable to shareholders registered on the 30th September, 1952, and a final dividend of 6/- per share has been declared since the close of the year under review, making a total of 10/- per share on the Deferred Shares in respect of the year ended 31st December, 1952.

FINANCIAL POSITION.—After providing £8,964,282 to meet dividends declared in respect of the year 1952 and £20,000 payable to your Directors as additional remuneration in terms of Clause 82 (j) of the Articles of Association and after providing £1,825,000 for taxation, current assets at 31st December, 1952, exceeded liabilities by £7,415,701.

This excess compares with £8,546,593 at the end of 1951—a decrease of £1,130,892, which is chiefly due to the payment of £1,215,702 to the De Beers Pension Fund as the Company's initial contribution. In addition to these cash resources of £7,415,701 your Company, apart from the investments shown under "Fixed Assets," has quoted securities with a book value of £5,397,732 and a market value, at 31st December, 1952, of £7,350,960. It also has 1,200,000 shares in De Beers Investment Trust, Limited, valued at £2,400,000. It will thus be seen that the Company's financial resources, apart from its fixed investments, and after allowing for all liabilities, amounted to £15,213,433.

THE DIAMOND CORPORATION, LTD.—During the year the authorised capital of The Diamond Corporation, Limited, was increased from £5,000,000 to £29,000,000 by the creation of 15,000,000 new shares. 10,000,000 of these new shares were paid for by the capitalisation of £10,000,000 of unappropriated profits of the Diamond Corporation and issued to shareholders. Your Company received 8,000,000 shares and The Consolidated Diamond Mines of South-West Africa, Limited, and that Company's wholly owned subsidiary, the South-West Finance Corporation, Limited, received 2,000,000 shares.

Arrangements were then concluded between The Diamond Corporation, Limited, and Anglo-American Investment Trust, Limited, whereby the Diamond Corporation acquired from the latter its holdings of 1,008,826 shares in Consolidated African Selection Trust, Limited, 16,620 shares in Societe Miniere du Beceka and 13,375 shares in Companhia de Diamantes d'Angola in exchange for 2,500,000 shares in The Diamond Corporation, Limited. The three Companies whose shares as stated, have been acquired by the Diamond Corporation are among the leading non-Union producing companies with which the Diamond Corporation, as the link between the producers of diamonds in the Union of South Africa and the non-Union producers, has contracts for the purchase of their production.

Since the close of the year the Consolidated Diamond Mines of South-West Africa, Limited, has subscribed for a further 1,625,000 shares in the Diamond Corporation at a price of £2 per share and the Anglo-American Investment Trust, Limited, for 875,000 shares at the same price. The Consolidated Diamond Mines of South-West Africa, Limited, also acquired from the South-West Finance Corporation, Limited, the latter's holding of 937,500 Diamond Corporation shares. The issued capital of the Diamond Corporation is therefore now held as follows:—

De Beers Consolidated Mines, Limited	12,000,000	shares.
The Consolidated Diamond Mines of South-West Africa, Limited	4,625,000	"
Anglo-American Investment Trust, Limited	3,375,000	"
	20,000,000	shares.

The contracts which the Diamond Corporation has with the producers of the Belgian Congo, Angola, Sierra Leone, the Gold Coast and French Equatorial Africa for the purchase of their production continue until 31st December, 1955, and the provisions thereof have been satisfactorily carried out throughout the year. During the year contracts, which continue to 31st December, 1955, were entered into with Williamson Diamonds, Limited, a producer of diamonds in Tanganyika Territory, and with Akim Concessions, Limited, a producer in the Gold Coast, for the purchase of their production. In addition to the scrip dividends already mentioned a satisfactory cash dividend was received from the Diamond Corporation during the year.

DE BEERS INVESTMENT TRUST, LIMITED.—In his address to Shareholders at the Annual General Meeting last year the Chairman referred to the contemplated development and expansion of the Diamond Corporation's activities. Subsequently it was decided to divide the Diamond Corporation into two companies by forming a new company called De Beers Investment Trust, Limited, and the new company was registered on the 10th December, 1952, with a nominal capital of £12,000,000 in 12,000,000 shares of £1 each. The Diamond Corporation subscribed for 11,000,000 shares at a price of £2 per share and subsequently distributed 1,750,000 of these shares to its shareholders as a dividend as follows:—

De Beers Consolidated Mines, Limited	1,200,000	shares.
The Consolidated Diamond Mines of South-West Africa, Limited	300,000	"
Anglo-American Investment Trust, Limited	250,000	"
	1,750,000	shares.

The new Company then purchased from the Diamond Corporation its interests in various undertakings not connected with the diamond industry leaving the Diamond Corporation to confine its activities to the diamond trade and as in the past to devote its energy and resources to the continued stability and well-being of that trade. The principal interests taken over by the new company are in the following concerns:—

African and European Investment Company, Limited.	Orange Free State Land and Estate Company (Pty.), Limited.
De Beers Industrial Corporation, Limited.	President Brand Gold Mining Company, Limited.
Ellaton Gold Mining Company, Limited.	President Steyn Gold Mining Company, Limited.
Freddies North Lease Area, Limited.	Stilfontein Gold Mining Company, Limited.
Freddies South Lease Area, Limited.	Welkom Gold Mining Company, Limited.
Loraine Gold Mines, Limited.	Western Holdings, Limited.
Orange Free State Investment Trust, Limited.	West Rand Investment Trust, Limited.

For the most part these interests are in loans to the companies mentioned, and with the exception of certain short-dated loans, by far the larger proportion of the loans carry valuable conversion rights. In this way an immediate and satisfactory return is being received on these investments with the prospect in due course of substantial profits, and by following this policy De Beers Investment Trust, Limited, should develop into a large and influential financial Corporation which will play an active part in the development of the Union of South Africa and in turn be a source of strength to De Beers Company and its associates as well as to the economy of the country generally.

THE DIAMOND PRODUCERS ASSOCIATION.—The Diamond Producers Association agreement and the agreements which the Association has with the selling companies—all of which agreements have a currency until 31st December, 1955—functioned satisfactorily throughout the year. With a view to strengthening further the link between the producers in the Union of South Africa and the non-Union producers, and following the principle adopted when the latter acquired share interests in the industrial diamond selling companies, arrangements were made whereby the principal non-Union producers have now acquired share interests in the Diamond Trading Company, Limited, and the Diamond Purchasing and Trading Company, Limited, which companies handle the sale of all gem diamonds sold by the Diamond Producers Association. The necessary shares were provided by the existing shareholders in these Companies and were purchased by the non-Union producers at a fair and satisfactory valuation. Under these arrangements your Company was required to provide 60,000 shares in the Diamond Trading Company, Limited, and 150,000 shares in the Diamond Purchasing and Trading Company, Limited.

DIAMOND SALES.—The proceeds realised in 1952 from the sale of diamonds effected through the Central Selling Organisation, on behalf of South African and other producers, and diamonds drawn from the stocks held by the Diamond Corporation once again constituted a record and were as follows:—

Gem Diamonds	£45,769,857
Industrial Diamonds	23,892,069
Total	£69,661,926

The total sales in 1951, a record up to then, were £65,057,965.

Copies of the full Report and Accounts (which are to be submitted to shareholders at the Sixty-fifth Annual General Meeting to be held in Kimberley, South Africa, on Wednesday, 10th June, 1953, at 11 a.m.) may be obtained from the London Transfer Office of the Company, 11, Old Jewry, E.C.2.

important producers, Roan Antelope and Mufulira, show a welcome increase both in the volume and value of sales and in profits. Compared with the previous quarter Roan Antelope's profits have risen by £1,339,000 to £3,063,000, while Mufulira (a "wetter" mine whose output is put in greater jeopardy by the shortage of fuel) has reported a smaller increase, by £462,000 to £2,116,000. In the first nine months of this accounting year Mufulira's profits have risen by more than a third and Roan Antelope's by more than a quarter; although the Rhodesian copper producers have recently had to accept a cut in the Ministry of Materials' buying price for copper, and although they will have to face a full year's burden of EPL on this year's earnings, their accounts for the full year to June 30, 1953, now seem certain to make a cheerful showing. And on July 1st both Roan Antelope and Mufulira will transfer control to Rhodesia, with all the tax advantages that that implies.

★

There are, however, two clouds over the copper-belt. The first is the continuing rise in the costs of capital development. It has just been announced, for example, that the cost of developing the Chibuluma Mine, a subsidiary of Mufulira, will be about £6 million, compared with the original estimate of £3.6 million; much of the additional finance now needed will come from the Defence Materials Procurement Agency of the United States, which will increase its original loan of £3 million by an amount not exceeding £2 million—as soon as Mufulira increases its shareholding in Chibuluma by £400,000 to £1 million. The second cloud is the uncertainty about what will happen to the price of copper when private trading in the metal in London is restored in August. Copper producers may be hoping, however, that this week's decision of the Chilean Government to maintain its price for copper at 35½ US cents a lb (fob Chilean ports) may delay a fall in world prices. The Chilean Government has, in effect, narrowed the world market, by the simple expedient of quoting a price that no consumers—except the fabricating subsidiaries of American concerns that have a direct interest in Chilean copper mines—are willing to pay.

COPPER SALES AND PROFITS
(In £'000)

	Quarter ended		Nine months ended	
	Dec. 31, 1952	Mar. 31, 1953	Mar. 31, 1952	Mar. 31, 1953
Roan Antelope				
Sales revenue ...	3,699	5,853	12,158	14,952
Operating expenditure ...	1,890	2,569	5,189	6,695
Estimated profit, before tax	1,724	3,063	6,041	7,873
Copper sales (long tons) ...	15,499	23,012	59,336	60,849
Mufulira				
Sales revenue ...	3,388	4,152	9,795	12,849
Operating expenditure ...	1,995	1,836	4,381	5,596
Estimated profit, before tax	1,654	2,116	5,067	6,850
Copper sales (long tons) ...	14,201	16,156	47,945	52,318

Floral Engineering

THE Chelsea Flower Show, held in London this week by the Royal Horticultural Society, is going the way of all agricultural shows: machines fast threatening to take pride of place over living exhibits. This year there are slightly more exhibitors of "horticultural sundries" than of plants and gardens. Many of these are showing traditional garden equipment; lawnmowers, greenhouses, tools and wrought iron gates, but a number specialise in power-driven implements designed and built as miniature versions of farm machinery scaled down in size to fit small-holdings and private gardens. The standard wheeled and tracked horticultural tractors of 6 to 10 h.p. are too big and also too unwieldy for confined spaces. The garden cultivators that manufacturers are producing in increasing number are intended to fill the role vacated by the employed gardener, now rapidly becoming extinct. About 16 different makes were shown at Chelsea, in addition to several power-driven scythes, electric mowers and at least one battery-driven grass cutter and hedge trimmer. In all there were about 23 firms showing mechanised equipment of a type that would never have been associated with gardening a few years ago.

PRODUCTION OF GARDEN CULTIVATORS, 1952

	Two-wheeled Tractors				Self-propelled grass cutters and hoes
	5-6 h.p.	3½-4½ h.p.	2-3 h.p.	1½ h.p. and under	
Home	1,413	188	3,726	1,847	5,870
Export	3,701	195	3,744	1,270	5,420
TOTAL	5,114	383	7,470	3,117	11,290

These are expensive toys. The cheapest cultivator, of 1½ h.p., and with a limited number of attachments, costs about £44. Cultivators of 4 and 5 h.p. capable of working heavy soils and gradients can rarely be obtained for less than £100; with a full range of attachments, they cost nearer £150. That the market is expanding is shown by the scale of production—nearly 30,000 of these small cultivators were produced last year—as well as by the increasing number of new designs. There is little doubt that they do their work quickly, efficiently, and in the long run more cheaply than it can be done by traditional methods. But in future a mechanic's finger may have to be joined to the green thumb.

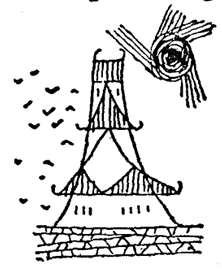
Lower Basic Material Prices

IN April the Board of Trade's index for basic material prices fell by 1.2 per cent, mainly because of substantially lower prices for non-ferrous metals. During the month the average price of tin fell by about 16.7 per cent, of zinc and lead by 9.2 per cent, of aluminium by 3 per cent and of copper by 3.3 per cent (the cut of nearly 10 per cent in

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NOTICES

SENIOR SCIENTIFIC OFFICERS; SCIENTIFIC OFFICERS; PATENT EXAMINER AND PATENT OFFICER CLASSES.—The Civil Service Commissioners invite applications for permanent and pensionable appointments to be filled by competitive interview during 1953. Interviews will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1953, may eventually be announced. The Scientific posts are in various Government Departments and cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science; in Biology the number of vacancies is small. The Patent posts are in the Patent Office (Board of Trade), Admiralty and Ministry of Supply.

Candidates must have obtained a university degree with first or second class honours in an appropriate scientific subject (including engineering) or in Mathematics, or an equivalent qualification; or for Scientific posts, possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer and Patent posts taking their degrees in 1953 may be admitted to compete before the result of their degrees examination is known.

Age Limits: Senior Scientific Officers, between 26 and 31; for Scientific Officers and Patent Classes, between 21 and 28 during 1953 (up to 31 for permanent members of the Experimental Officer class competing as Scientific Officers). London Salary Scales: Senior Scientific Officers (men), £812-£1,022; (women) £681-£917; Scientific Officers (men), £440-£707; (women) £440-£576; Patent Examiner and Patent Officer Classes (men), £440-£655; (women) £440-£576. Somewhat lower rates in the provinces.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. S.53/53 for Senior Scientific Officers and S.52/53 and S.128/53 for the other posts.

PRODUCTION-ENGINEERING LTD., consultants in industrial and business management, require additional staff. Applications are invited from Chartered Accountants with industrial experience who are interested in the development of financial costing and administrative control. Technical ability is a prime essential, but great weight will be placed on personal attributes. Only first-class men will be considered and preference will be given to those with a university degree or service experience and a wide background. Before responsible work is undertaken, careful training within the company will be given which may last one year. Age should be between 26 and 38 years. The remuneration is high. These will be permanent appointments with excellent prospects for future advancement.—Applications should be sent in confidence to Production-Engineering Ltd., 86 Cross Street, Manchester, 2.

BARRISTER, 37, old Etonian, at present Assistant Secretary to leading industrial company, seeks a legal or executive post which would afford greater scope to his qualifications, experience (both commercial and industrial), and proved abilities. Highest credentials.—Box 253.

ECONOMIST/STATISTICIAN required for new shipping business. First-class opening for well qualified and ambitious man. Age preferably 23 to 30. Commencing salary £700 to £1,000 per annum according to age and qualifications.—Apply in writing to W. G. Weston Ltd., 47 Piccadilly, W.1.

THE UNIVERSITY OF LEEDS

SENIOR AGRICULTURAL ECONOMIST

Applications are invited for the post of Senior Agricultural Economist to be largely concerned with liaison work between the Provincial Agricultural Economics Service and the National Agricultural Advisory Service. Salary: men—£900 rising to £1,070; women—£800 rising to £930. There is at present a bonus in addition. Applications (three copies) stating age, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than June 22, 1953

BALLIOL COLLEGE, OXFORD

Balliol College proposes to elect an Official Fellow (or appoint a Lecturer) in Politics as from September 29, 1953. Applications should be sent not later than June 13, 1953 to the Master, from whom further details can be obtained.

NATIONAL COAL BOARD invite applications for the superannuable appointment of an ASSISTANT TO THE INVESTMENTS MANAGER OF THE SUPERANNUATION AND PENSIONS FUNDS at London Headquarters.

Candidates must have a sound knowledge of finance, investment and Stock Exchange procedure, backed by some years' practical experience in a stockbroker's office covering all aspects of institutional investment work, including statistics and analysis of accounts.

Salary on appointment will be within the inclusive range of £1,250 to £1,600 per annum, depending on qualifications and experience. Increases within the range will be considered periodically in the light of work carried out and responsibility undertaken.

Write, giving full particulars (in chronological order) of age, education, qualifications and experience (with dates) to National Coal Board, Establishments (Personnel), Hobart House, Grosvenor Place, London, S.W.1, marking envelope TT/635. Original testimonials should NOT be forwarded. Closing date June 12, 1953.

AN opportunity occurs for a large firm selling their own branded lines to the Hardware, Chemists and Grocery Trades to acquire, without capital outlay, the selling rights and goodwill of two famous nationally advertised household products. These enjoy a dominant position in their field and are sold everywhere. Annual sales exceed £200,000 and £150,000 has been invested in advertising. These lines are capable of considerable further expansion. Present owners wish to devote their time to the development of other projects and will maintain only a Royalty interest.

Interested firms must have a very strong direct selling organisation and promote other nationally advertised products. Replies, which will be treated in confidence, should be only from such firms.—Box 255.

SALES OFFICE MANAGER required by a large company in the Midlands, engaged in the paper and allied industries. Applications invited from men with good educational background, preferably Economics degree, and at least three years' post-graduate commercial experience in Sales Office management and selling.—Box 252.

ADVERTISING of technical products calls for specialised knowledge and experience—which is why so many famous industrial concerns have learned to value the services of Geoffrey Dadd Ltd., Technical Advertising Practitioners, of 90 Epsom Road, Sutton, Surrey. Derwent 4444 (4 lines).

OTHER NOTICES APPEAR ON PAGE iii OF COVER.

the copper price on April 25 was only partially reflected in the average for the whole month). Among other basic materials, the price of raw rubber came down by 7.9 per cent in April, raw cotton by 0.9 per cent and palm oil by 13.3 per cent. Among the few materials that rose in price during the month, raw wool went up by 3.6 per cent and

PRICE INDEX OF MATERIALS FOR INDUSTRY
(June 30, 1949=100)

	1952	1953			
	April	Jan.	Feb.	Mar.	April
Basic materials (excl. fuel)	164·7	151·9	150·5	151·0	149·2
Materials in mechanical engineering	152·6	148·6	148·1	147·9	145·9
Materials in electrical machinery	166·3	162·2	161·3	160·4	156·5
Building and civil engineering materials	137·3	131·2	131·0	131·0	130·7
House building material	133·4	129·0	129·0	129·2	128·9

Source : Board of Trade.

imported hardwood by 0.5 per cent. In all, the index for materials used in mechanical engineering fell by 1.4 per cent, while that for those used in electrical machinery fell by 2.4 per cent (owing to the heavier weight carried in it for non-ferrous items). The falls in the indices for building materials were mainly due to the fall in the price of lead.

Sterling Area Statistics

ONE of the most glaring deficiencies of the official statistical service since the war has been the lack of adequate and up-to-date figures on the trade balance of the sterling area. Hitherto the analyst has had to rely either on the annual Statistical Abstract for the Commonwealth (which is usually nearly a year out of date) or has had to search around for himself in the monthly trade returns of a score or so of different countries (which arrive in this country at widely differing dates after the period to which they refer). The decision to publish a summary of these trade statistics in a quarterly supplement to the *Board of Trade Journal* is therefore a real step forward.

There are two major snags in the new supplement. The first is that while some sterling area countries value their imports c.i.f., others value them f.o.b. The result is that the figures give a misleading impression of who is contributing most to any current surplus or deficit in the accounts of the area as a whole ; for example, the United Kingdom's trade balance will always be cast in an unfavourable light in these statistics, because between 10 and 15 per cent of its recorded import values are due to freight and insurance payments (which are usually merely payments by a British importer to a British shipping, insurance or banking concern). The figures should therefore only be adjudged as showing trends (not absolute levels) in each country's balance ; the first of the accompanying tables, which sets down the relevant figures for the disastrous fourth quarter of 1951 against those for the much better fourth quarter of 1952, shows that nearly all members of the area (except the Far Eastern colonies) contributed to last year's recovery.

The second major snag is that these figures only go a very small part of the way towards forging one of the most urgently needed tools for current economic analysis—namely an estimate of the terms of trade for the sterling area as a whole. The supplement provides price indices for

TABLE I—STERLING AREA TRADE
(£ million)

	4th quarter, 1951			4th quarter, 1952		
	Exports (f.o.b.)	Imports (c.i.f.)	Balance	Exports (f.o.b.)	Imports (c i.f.)	Balance
Utd. Kingdom	713	986	−273	667	792	−125
Australia*	140	221	− 81	203	96	+107
New Zealand	56	72	− 16	51	44	+ 7
Union of South Africa*	81	113	− 32	78	95	− 17
Asian Domins.	218	258	− 40	163	164	− 1
Other independent	66	115	− 49	72	101	− 29
West Indies	10	25	− 15	14	27	− 13
West Africa	43	48	− 5	51	47	+ 4
East Africa	35	37	− 2	51	39	+ 12
Malaya & Hong Kong	226	229	− 3	176	188	− 12
Other colonies	43	42	+ 1	43	49	− 6
TOTAL	1,630	2,146	−516	1,570	1,642	− 72

* These countries are known to value their imports " f.o.b."

thirteen major sterling area exports ; it can be estimated that these price changes alone knocked nearly £1,000 million a year (or approximately one quarter) off the sterling area's export income between the peak of commodity prices (in the first quarter of 1951) and the fourth quarter of 1952. But there are as yet no comparable indices for the prices of

TABLE II—PRICES OF KEY STERLING AREA EXPORTS
(Jan.–June, 1950=100)

	1951		1952	
	1st qtr.	3rd qtr.	2nd qtr.	4th qtr.
Wool				
Merino 64's	221	104	92	100
Crossbred 50's	329	131	94	117
Crossbred 56's	298	127	85	101
Jute	137	139	108	70
Jute goods	171	166	94	85
Sisal	176	187	133	81
Cotton	229	181	148	109
Tin	224	150	162	160
Rubber	336	237	147	125
Cocoa	143	132	144	122
Coffee	115	112	111	113
Tea	114	83	74	89

sterling area imports—or, for that matter, of other sterling area exports. To compile a terms of trade index for the whole sterling area would require some bold estimation and not a little guesswork. But the time has come when the Board of Trade, which must have many more of the relevant statistics than are available to private readers, should be encouraged to attempt one.

Company Notes

UNILEVER. In its world-wide orbit of activities—from soap through sawmills to a shipping line—the Unilever diarchy has amassed over £1,200 million of sales in each of the last two years. The vast range of goods sold by the group in all the free markets of the world would make for stability in profits were it not that almost all its products satisfy the immediate wants of consumers, so that the group's fortunes can be swiftly affected by any fall in consumers' demands or a decline in raw material prices. In the first half of 1952 the group had to withstand both these buffets, and profits fell sharply. In the last six months of 1952, however, raw material prices rose again and sales (although only at a lower level of profit margins) began to improve. This improvement has continued into the current year and the directors reveal that the volume of sales and profits earned in 1953 have so far been satisfactory.

The most encouraging feature of Unilever's accounts for a year in which inflation was curbed is that the value of the diarchy's sales rose from £1,205 million to £1,227 million. As prices were lower last year than they were in 1951, this increase must reflect a real expansion in the volume of goods sold; and, in fact, the accounts (which must be the envy of many other international trading organisations) show an increase in the volume of sales of margarine and edible fats, of other oils and fats, of animal feeding stuffs and of tropical produce; while the volume of sales of soaps and other detergents has been maintained. The fall in trading profits (from £69.1 million to £56 million) can therefore be attributed to lower profit margins (forced upon the group by the return to more competitive conditions) and by losses made on stocks when prices fell from their heady 1951 levels. In any case, as was noted when the group's preliminary statement was discussed in *The Economist* last week, lower charges for taxation and an easing of the problem of replacing stocks have led to an actual increase (from £18.8 million to £21.1 million) in net profits available for distribution. The diarchy has therefore had no difficulty in maintaining equity payments.

Like many of the major trading concerns, Unilever has found that the decline in stock investment has led to a welcome improvement in its liquid balances. In the consolidated balance sheet, the fall in stock values from £212 million to £182 million—which is due rather more to a fall in prices than to a decline in the volume of inventories—has been accompanied by an increase in cash balances (from just under £25 million to just over £43 million) and by a fall in short-term borrowings (from £55 million to just under £30 million). Further calls would be made upon these resources if the markets in edible fats were to be freed from Government controls; it is estimated, for instance, that about £15 million might be added to Unilever's stock values if the British Government were to remove the controls on margarine. Moreover, the group's capital expenditure still appears to be running in excess of the amounts set aside for depreciation (even though the group carefully sets aside a sufficient margin out of taxed profits to cover genuine replacement costs). The directors must therefore keep a wary eye upon liquid balances in deciding upon the size of the ordinary dividends, which are, of course, tied to the equalisation agreement between the British and Dutch partners. On the basis of the latest dividend of 13½ per cent the £1 ordinary stock units of Unilever Limited at the current price of 47s. 3d. xd. yield 5.7 per cent; for a group whose profits would probably suffer sharply but temporarily in a recession, but that has vast reserves of strength to draw upon, this yield seems reasonable enough.

£'000

Years to December 31	Unilever, Ltd.		Unilever NV		Combined	
	1951	1952	1951	1952	1951	1952
Consolidated Earnings						
Trading profit	*42,107*	*33,929*	*26,981*	*22,101*	*69,088*	*56,030*
Depreciation	4,681	5,717	5,072	5,825	9,753	11,542
Fixed assets replacement reserves	2,850	2,750	2,265	2,533	5,115	5,283
Stock reserves	3,000	(a)	...	(a)	3,000	(a)
Profit before taxation	*31,823*	*25,453*	**18,683*	*14,226*	*50,505*	*39,678*
Taxation	20,683	14,154	12,301	8,026	32,984	22,180
Net profit	*11,127*	*11,343*	*6,711*	*7,713*	*18,838*	*21,056*
Ordinary dividends	974	1,253	1,940	2,433	2,914	3,692
Ordinary dividends (per cent)	13½	13½	12	12	...	...
Profit retentions	8,870	9,807	3,683	4,180	12,553	13,987
Consolidated Balance Sheet						
Fixed assets, *less* depreciation	57,094	64,972	56,285	65,891	113,379	130,863
Net current assets	115,910	120,878	55,420	52,609	171,330	173,487
Stocks	116,030	102,191	96,327	80,074	212,357	182,265
Cash	13,726	29,861	11,134	13,323	24,860	43,184
Short-term borrowings	25,069	14,202	30,169	15,670	55,238	29,872
Capital reserves	27,685	31,012	29,347	32,236	57,032	63,248
Revenue reserves	68,549	78,639	25,838	28,747	94,387	107,386
Ordinary capital	17,118	17,118	19,983	20,096	37,101	37,214

(a) In 1952, £1,868,000 (Ltd., £450,000; NV, £1,418,000) from these stock reserves was written back into the profit and loss account.

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IMPERIAL CHEMICAL INDUSTRIES. In contrast to the experience of Unilever, the fall in the profits of Imperial Chemical Industries last year (from £51.6 million to £42.3 million) seems to have been due more to an actual decline in sales than to a fall in prices. In money terms the value of ICI's sales rose again last year—from £262.8 million to £276.3 million—but there was a slight fall in the volume of these sales; indeed, the Billingham nexus and the Nobel explosives division appear to have been the only divisions to have sold more in 1952 than in 1951. Despite the worldwide clutter of new trading restrictions, the value of direct exports also increased—from £58 million to £62 million—thanks partly to a revival in Far Eastern purchases of alkali and fertilisers in the second half of the year. The value of sales rose while their volume fell because, in the words of the directors, ICI was forced by an increase in operating costs to "make some increase in the prices of many of the company's products." But this increase in selling prices apparently did not go far enough to maintain profit margins intact—and for a very good reason: the directors note in their report that "competition from Germany and Japan was severe during the year in a number of products, and European producers also competed strenuously, particularly for United States Government fertiliser tenders."

	Years to Dec. 31, 1951	Years to Dec. 31, 1952
	£	£
Consolidated earnings :—		
Gross turnover	262,800,000	276,300,000
Trading profit	51,587,727	42,341,158
Total income	54,660,232	45,440,833
Depreciation	8,892,892	10,138,595
Taxation	16,557,129	13,816,787
Net profit	*22,675,765*	*15,070,212*
Ordinary dividends	4,133,092	4,963,244
Ordinary dividends (per cent)	13	13
Retained by subsidiaries	2,293,217	1,571,256
Assets replacement reserve	5,000,000	5,000,000
Stock replacement reserve	7,000,000	700,000
General reserve	...	2,000,000
Added to carry forward	420,600	*Dr 49,144*
Consolidated balance sheet :—		
Fixed assets *less* depreciation	216,680,427	237,165,376
Net current assets	57,034,107	68,985,928
Stocks	84,375,741	91,060,965
Cash	5,860,472	6,312,766
Bank overdrafts	14,988,848	14,138,409
Capital reserves	125,774,663	140,738,802
Revenue reserves	41,122,345	45,074,348
Ordinary capital	60,558,139	70,651,162

£1 ordinary stock at 42s. 6d. yields £6 2s. per cent.

The fortunes of the ICI group were not, of course, immune from last year's decline in raw material prices and some £2 million was written off stock values to reduce specific items to market values. This cloud, however, had a silver lining, for the directors go on to say that "the profits for 1952 do not contain any significant amount due to inflation of price levels as did the profits of 1951." As a direct result the directors have found it necessary to appropriate only £700,000 to a stock replacement reserve, compared with ten times that amount—£7 million—in 1951. A reduction in the volume of trade at home led to a slight fall in the value of stocks held by the parent company (from £56.4 million to £54.5 million), but the opportunity was taken to build up stocks held abroad so that overseas subsidiaries could offer quick deliveries in their increasingly competitive markets. As a result, the book value of stocks in the consolidated balance sheet rose from £84.4 million to £91.1 million, and the group as a whole did not experience the welcome reinforcement of liquid resources that many other industrial giants have been able to report.

ICI's fortunes were plainly at their lowest ebb in the middle of last year, when a fall in demand led in some cases to a reduction in output. Since then, however, demand has revived and the value of the company's sales in the last quarter of 1952 was higher than in the same quarter of 1951. On present indications, therefore, shareholders can reasonably hope for an increase in profits this year.

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ANGLO-IRANIAN. The report of the Anglo-Iranian Oil Company for 1952 is a story of sturdy resilience in adversity. In 1952, the company sold 32 million tons of crude oil and refined products, or only 3 million tons less than in 1951 when 14 million tons came from Iran. Its production of crude oil in Kuwait, Iraq and Qatar, rose from 16.6 million tons to 25.6 million tons, with Kuwait's share alone rising from 13.3 million tons to 19.8 million tons. Similarly, the throughput of 17.5 million tons in the company's refineries in 1952 compared with a throughput of 24 million tons in 1951 (of which half came from Iran).

Nevertheless, to a very large extent, the fall in consolidated profits (from £71 million to £59 million) reflects a full year's trading without Abadan, compared with the benefit of six months' trade from there in 1951. The expropriation has also added to the company's costs by forcing it to make outside purchases of oil. But in spite of this, and of the high level of tanker freight rates that ruled throughout most of last year, the directors seem to have had no hesitation in raising the ordinary dividend from 30 to 35 per cent. Indeed Sir William Fraser suggests that a "study of the accounts will point to the conclusion that a more substantial distribution would be warranted." But he then covers up by adding that "in view of the abnormal conditions affecting operations and the extra capital commitments these entail, the directors consider that it is not yet wise to relax the policy of conserving the company's financial strength."

	Years to Dec. 31, 1951	Years to Dec. 31, 1952
	£	£
Consolidated earnings		
Trading profit	71,377,882	59,553,678
Total income	75,899,965	61,260,584
Depreciation	21,733,131	12,303,729
Taxation	27,373,901	22,666,344
*Net profit**	*24,233,050*	*25,165,966*
Ordinary dividends	6,041,250	7,048,125
Ordinary dividends (per cent)	30	35
Preference stock reserve	1,000,000	1,000,000
General reserve	16,000,000	16,000,000
Added to carry forward	120,566	46,607
Consolidated balance sheet		
Fixed assets, *less* depreciation	64,406,855	99,548,512
Subsidiary company interests	47,324,788	54,956,207
Oil exploration expenditure	7,539,923	10,106,706
Net current assets	79,622,279	55,084,115
Stocks	43,402,442	46,824,290
Cash	59,074,918	58,300,948
Reserves	94,291,530	112659117
Special contingencies account	49,987,440	49,987,440
Ordinary capital	20,137,500	20,137,500

£1 ordinary stock at 5½ yields 6 per cent.

* Parent company's net profits only, which are shown in 1952 after the credit of £770,868 from subsidiary companies' reserves; in 1951, £606,749 was retained by these subsidiaries.

That financial strength is greater than the balance sheet figures show; for the report reveals that a claim for relief from British taxation in respect of Kuwait taxes (which, at £26.8 million, have been charged before striking trading profits) is outstanding. But there are grounds for caution about the immediate prospect. For one thing the company's profit margins are smaller than those prevailing in 1952; and Sir William's forecast that profits this year should run at their 1952 levels appears to be based on the assumption that "the encouraging expansion in the volume of trade" that has been achieved in recent months will be maintained and that there will be no severe drop in oil prices. For another thing, the company hopes to raise its annual refinery capacity to about 30 million tons by the end of 1954 and to raise production from Kuwait, Iraq and Qatar to 35 million tons by the end of this year. This emphasises the need for money to finance capital development, on which the company spent about £57.4 million in 1952 and expects to spend about £75 million this year.

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DUNLOP RUBBER. Since the price of raw rubber fell by over a third in 1952, it is not surprising that the trading profits of Dunlop Rubber fell by over a quarter. The decline in raw material prices, together with a fall in the volume of sales, led to a reduction in the value of the group's sales (which include services and supplies within the group) from £284 million to £250 million; and the ratio of profits (before tax) to turnover was reduced from 6.5 per cent to 4.7 per cent. The decline in prices was, of course, accompanied by considerable losses on inventories, all of which have been absorbed by drawing on profits. In the upshot, the group's trading profits have fallen from £17.9 million to £13.1 million; but, thanks to a reduction in the charge for taxation, the fall in net profits has been limited to about £1 million.

Losses on stocks and a reduction in the volume of stocks held by the group have reduced the book value of inventories in the consolidated balance sheet from £61.2 million to £50.9 million—a level that the directors consider to be "satisfactory for the efficient operation of the factories." The fall in stock values has in turn reduced the need for temporary finance; the group's total borrowing on bills and from the banks has been reduced from £20.4 million to £13.5 million. This has enabled the directors to maintain the dividend of 17½ per cent without any real difficulty. On present indications, the current year should witness a greater stability in prices and profits, and shareholders will confidently expect the same dividend again.

	Years to Dec. 31, 1951	Years to Dec. 31, 1952
	£	£
Consolidated earnings		
Trading profit	17,869,124	13,060,412
Total income	18,240,317	13,809,757
Depreciation	3,969,596	4,178,835
Replacement reserves	470,000	479,000
Taxation	8,915,898	5,275,688
Net profit	*4,072,007*	*3,040,776*
Ordinary dividends	1,180,958	1,237,195
Ordinary dividends (per cent)	17½	17½
Retained by subsidiaries	1,732,295	1,071,418
Revenue reserves	960,000	520,000
Added to carry forward	1,879	10,600
Consolidated balance sheet		
Fixed assets, *less* depreciation	25,370,650	27,891,863
Net current assets	43,829,608	42,970,070
Stocks	61,246,077	50,864,746
Cash	8,740,950	6,621,426
Reserves	32,238,586	34,251,131
Ordinary capital	12,853,969	12,853,969

£1 ordinary stock at 43s. 9d. xd yields £8 per cent.

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UNITED MOLASSES. Last autumn, in one of the most startling price reductions of 1952, producers of molasses were forced to slash prices to less than one-third of the levels at which they had been standing through the sellers' market earlier in the year. Yet the directors of United Molasses, whose recorded stocks of molasses fell from £3,061,401 to £1,061,953 in the calendar year, are able to report that this massive fall in prices to the "comparatively safe level of today" did not involve the group in inventory losses of any consequence. It seems, therefore, that the group must have been successful in running down its stocks before the big price cuts were made.

The fall in the group's trading profits (from £8,033,794 to £7,103,914) can therefore be attributed mainly to the decline in shipping freight rates and to a rise in operating costs. The chairman expects that profits will again fall quite substantially this year because of lower shipping freights; but he reports that the sudden cut in the price of molasses has already led to an impressive expansion in American demand for molasses for feeding stuffs and distilling purposes, and that the group's American subsidiary has recently been handling a larger volume of trade than at any time in its history. A similar improvement has not yet taken place in Britain, but the directors hope that the decontrol of animal feeding stuffs will help sales later on. Another encouraging sign for the future is that the fall in the burden of stock investment has led to a very strong improvement in the group's liquid resources. Last year the combined total of British Government securities, short-term loans, tax reserve certificates and cash balances rose from about £8.6 million to nearly £14 million. The chairman opined that profits in 1953, although they would be lower than those earned last year, will be "comfortably cover dividend requirements." The gross equity distribution of just over 20 per cent—which gives the 10s. ordinary stock units a yield of 7½ per cent at their current price of 27s. 3d. seems, therefore, to be well assured.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 13, 1953	Price, May 20, 1953	Net Yield, May 20, 1953	Gross Yield, May 20, 1953
			£ s. d.	£ s. d.
War Bonds 2½% '52-54	99⅜	99⅞	1 4 2	2 13 2
Exchequer 2½% '1955	99⅜	99⅝	1 10 1	2 13 7
Exchequer 3% '1960	100⅛	100⅛	1 13 6	3 1 6
Ser. Funding 1½% '53	99⅝	99⅝	1 14 0	2 10 5
Ser. Funding 1½% '54	98	98	1 16 7	2 12 8
Ser. Funding 3% '55	100⅛	100⅛	1 7 7	2 14 8
War Bonds 2½% '54-56	99⅛	99⅛	1 8 7	2 13 11
Funding 2½% '52-57	100	100	1 10 6	2 14 10
Nat. Def. 3% '54-58	101⅛	101⅛	1 9 3	2 18 11
War Loan 3% '55-59	100⅛	100⅛	1 11 6	2 18 10
Savings 3% '55-65	96	96	2 1 3	3 9 8
Funding 2½% '56-61	96⅜	96⅛	1 16 7	2 19 10
Funding 3% '59-69	90⅛	90⅛	2 7 11	3 16 10
Funding 3% '66-68	92⅛	92⅛	2 5 4	3 14 5
Funding 4% '60-90	99⅛	99⅛	2 7 1 2 4 10	4 3 8 4 1 2
Savings 3% '60-70	89⅜	89⅜	2 8 11	3 18 5
Savings 2½% '64-67	88	88⅛	2 7 8	3 11 11
Victory 4% '20-76	101⅛	101⅛	2 2 1	3 18 7
Savings 3% '65-75	86⅛	86⅛	2 9 1	3 19 11
Consols 4% (aft. 1957)	90⅛	91	2 8 8	4 9 1
Convs. 3½% (aft. 1961)	81⅛	81⅛	2 7 4	4 6 3
Treas. 2½% (aft. 1975)	60⅛	60⅛	2 5 6	4 2 11
Treas. 3% (aft. 1966)	70⅛	70⅛	2 6 8	4 5 1
Treas. 3½% '77-80	90⅜	90⅜	2 7 10	4 1 3
Redemption 3% '86-96	80⅜	80⅜	2 7 4	3 18 11
War Loan 3½% aft. 1952	80⅜	80⅛	2 7 6	4 6 5
Consols 2½%	60⅛	61⅛	2 5 0	4 2 1
Br. Elec. 3% '68-73	87⅛	87⅞	2 9 4	3 19 0
Br. Elec. 3% '74-77	86⅜	86⅜	2 8 6	3 18 6
Br. Elec. 4½% '74-79	100⅛	100⅜	2 6 5 2 6 6	4 5 0 4 5 0
Br. Elec. 4½% 'A' '74-79	99⅛	100⅛	2 6 7 2 6 8	4 4 9 4 4 10
Br. Elec. 3½% '76-79	91⅜	91⅜	2 7 2	4 0 6
Br. Trans. 3% '78-88	81⅛	81⅛	2 9 2	4 0 10
Br. Trans. 3% '68-73	87⅛	87⅛	2 9 4 2 9 7	3 19 0 3 19 0
Br. Trans. 4% '72-77	97⅛	97⅛	2 7 7 2 7 0	4 4 0 4 3 5
Br. Gas 3% '90-95	80⅜	80⅜	2 7 10	3 19 4
Br. Gas 3½% '69-71	94⅛	94⅛	2 6 0	3 19 1
Br. I. & S. 3½% '79-81	91⅛	91⅛	2 7 4	4 1 4

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*) (*b*) (*c*)	Ordinary Stocks	Price, May 13, 1953	Price, May 20, 1953	Yield, May 20, 1953
% %				£ s. d.
20 *a*	40 *b* Anglo-Am. 10/-	5⅞	5⅞	5 2 2
5 *a*	30 *b* Anglo-Iran. £1	5⅛	5⅛	6 0 5
7½ *a*	12½ *b* Assoc. Elec. £1	77/6	75/-	5 6 8
7½ *a*	22½ *f* Assoc. P. Cem. £1	112/6	108/9	5 10 4
10 *a*	33 *b* Bass £1	118/9	118/9	7 4 11
10 *a*	10 *b* Boots 5/-	19/6	19/6*	5 2 7
3 *a*	7 *b* Brad. Dyers £1	25/6	25/6	7 16 10
4½ *a*	6½ *b* Br. Celanese 10/-	22/6	24/-	4 11 8
17½	4 *a* Br. Motor Cp. 5/-	6/-	5/9	9 0 10*g*
6 *a*	9 *b* Br. Oxygen £1	53/-	53/-	5 13 2
3 *a*	3 *b* Can. Pac. $25	$48½	$49½	5 9 1
7½ *b*	5 *a* Coats £1	43/-	42/-	5 19 1
6½ *b*	5 *a* Courtaulds £1	38/-	37/9	5 19 2
16 *c*	22½ *a* Cunard £1	35/6*	35/-	9 2 10
15 *b*	7½ *a* Distillers 4/-	16/3	16/-	5 12 6
17½ *c*	17½ *c* Dunlop £1	46/3	43/9*	8 0 0
15 *c*	15 *c* Ford £1	55/7½	51/10½	5 15 8
15 *b*	3½ *a* Gen. Elect. £1	40/7½	40/-	5 12 6*p*
5 *a*	10 *b* Guest Keen £1	47/-	46/6*	6 9 0
7 *a*	10 *b* Guinness 10/-	29/6	29/-	5 17 3
4 *a*	6½ *b* Hawker Sid. £1	38/-	37/6	5 6 8
5 *a*	8 *b* Imp. Chem. £1	43/6*	42/6	6 2 4
13½ *a*	11⅛ *b* Imp. Tobacco £1	50/3	52/-	7 13 10*o*
$2·65 *c*	$3 *a* Int. Nick. n.p.	$71½	$71½	6 9 8
17½ *c*	17½ *c* J'burg Con. £1	56/10½	58/9	5 18 2
5 *a*	10 *b* Lancs. Cotton £1	41/9	41/-	7 6 4
7½ *a*	10 *b* Lon. Brick £1	61/10½	61/10½	5 13 4
15 *a*	35 *b* Marks & Sp. A 5/-	52/3	50/-*	5 0 0
6⅔ *a*	11⅓ *b* Monsanto 5/-	20/6	20/6	4 9 5
6 *a*	14 *b* P. & O. Def. £1	54/6	54/6	7 6 9
17½ *b*	7½ *a* P. Johnson 10/-	30/-	29/6	8 9 6
†100 *c*	†105 *c* Prudentl. 'A' £1	36⅜	36½	5 4 7
175 *b*	50 *a* Rhokana £1	17	17½	12 17 2
10 *b*	5 *a* Rolls Royce £1	60/7½	60/-	5 0 0
†5 *a*	†10 *b* "Shell" Reg. £1	84/4½	83/1½*	6 11 3
8½ *b*	7½ *a* Tube Invest. £1	55/6	54/9*	5 9 7*h*
5 *a*	20 *b* Tur. Newall £1	50/3	48/-	5 4 2*m*
5 *a*	8½ *b* Unilever £1	47/9	47/3*	5 14 3
12½ *c*	87½ *c* Union Castle £1	21/6*	21/6	6 19 6
5 *a*	5 *b* Union Disc. £1	43/-	43/-	4 13 0
7½ *a*	†6⅔ *b* Utd. Molass. 10/-	27/9	27/3*	7 7 5*q*
7½ *a*	12½ *b* U. Sua Betong £1	35/7½	34/4½*	11 12 9
2½ *a*	12½ *b* Vickers £1	46/6	46/-	6 10 5
15 *a*	40 *b* Woolworth 5/-	52/9	52/3	5 5 3

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*g*) Div. 17½% for 4 months. Yield basis 10£%. (*h*) Yield basis 15%. (*k*) On doubled capital. (*m*) Yield basis 12½%. (*o*) Yield basis 20%. (*f*) Yield basis 11½%. (*q*) Yield basis 20·06% gross. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 16, 1953, total ordinary revenue was £70,296,000, against ordinary expenditure of £88,024,000 and issues to sinking funds £565,000. Thus, including sinking fund allocations of £3,422,000 the deficit accrued since April 1, 1953, was £26,224,000 compared with a deficit of £60,077,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54	April 1, 1952 to May 17, 1952	April 1, 1953 to May 16, 1953	Week ended May 17, 1952	Week ended May 16, 1953
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1782,250	157,265	157,445	14,814	17,562
Sur-tax	127,000	14,000	13,400	1,800	1,700
Death Duties	160,000	20,000	26,100	3,300	3,600
Stamps	52,000	7,100	7,300	1,100	800
Profits Tax & EPT	214,000	35,600	22,400	5,000	3,900
Excess Profits Levy	99,500	...	4,300	...	400
Special Contribution and other Inland Revenue	1,000	340	170	50	...
Total Inland Rev.	2435,750	234,305	231,115	26,064	27,962
Customs	1044,300	135,861	136,066	21,498	21,934
Excise	680,480	109,984	108,135	17,770	15,220
Total Customs and Excise	1724,780	245,845	244,201	39,268	37,154
Motor Duties	69,000	5,709	6,524	187	376
PO (Net receipts)	2,685	2,900	3,100	2,700	2,700
Broadcast Licences	16,000	1,000	1,000	...	...
Sundry Loans	25,000	2,083	1,942	148	1,830
Miscell.	95,000	10,817	12,282	94	274
Total Ord. Revenue	4368,215	502,659	500,165	68,461	70,296
SELF-BALANCING					
Post Office	224,615	24,900	25,800	2,800	2,800
Income Tax on EPT Refunds	3,300	830	1,025	126	433
Total	4596,130	528,389	526,990	71,387	73,529
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	89,500	97,125	11,205	19,729
Payments to N. Ireland	48,000	4,081	4,408	...	...
Other Cons. Funds	10,000	628	662	...	95
Total	673,000	94,209	102,194	11,205	20,824
Supply Services	3586,286	464,986	420,771	66,200	68,200
Total Ord. Expend.	4259,286	559,195	522,966	77,405	88,024
Sinking Funds	...	3,541	3,422	250	565
Total (excl. Self-Balancing Expd.)	4259,286	562,736	526,388	77,655	88,589
SELF-BALANCING					
Post Office	224,615	24,900	25,800	2,800	2,800
Income Tax on EPT Refunds	3,300	830	1,025	126	433
Total	4487,201	1,151	553,213	80,581	91,823

After increasing Exchequer balances by £289,170 to £3,477,654, the other operations for the week increased the National Debt by £34,260,968 to £26,129 million.

NET RECEIPTS (£ THOUSAND)

EPU (Financial Provisions) Act, 1950, s. 3	183
	183

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1952	1,000
EPT Refunds	529
Local Authorities Loans Act, 1945, s. 3(1)	14,000
Finance Acts, 1946 & 1947: Postwar Credits	333
	15,862

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	41,953	2½% Def. Bonds	740
Nat. Savings Certs.	100	3% Def. Bonds	2,494
3½% Def. Bonds	1,630	Other debt	
Tax Reserve Certs.	1,631	Internal	1,585
		External	99
		Ways and Means Advances	6,135
	45,314		11,053

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
May 17	2,650·0	1,499·4	302·9	...	...	4,452·3
1953						
Feb. 14	2,890·0	1,416·1	235·1	...	...	4,541·2
,, 21	2,870·0	1,441·5	270·8	1·8	...	4,584·1
,, 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
,, 14	2,820·0	1,540·5	275·1	...	...	4,635·6
,, 21	2,810·0	1,569·5	332·2	...	...	4,711·7
,, 31	4,406·6		303·5	3·8	...	4,713·9
April 11	2,880·0	1,585·3	243·7	...	...	4,709·0
,, 18	2,950·0	1,542·3	298·6	...	...	4,791·0
,, 25	2,990·0	1,514·8	288·2	...	...	4,793·0
May 2	3,010·0	1,478·8	256·6	...	...	4,745·4
,, 9	3,030·0	1,462·3	238·6	3·5	...	4,734·4
,, 16	3,050·0	1,484·2	236·0	...	...	4,770·2

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Min. Rate %
1952						
May 16	230·0	295·0	230·0	47	8·07	70
1953						
Feb. 13	220·0	297·2	220·0	48	7·78	62
,, 20	230·0	321·7	230·0	48	7·90	56
,, 27	230·0	314·4	230·0	48	0·25	66
Mar. 6	240·0	326·9	240·0	48	0·25	65
,, 13	250·0	256·4	250·0	47	11·74	57
,, 20	260·0	351·0	260·0	47	11·78	63
,, 27	250·0	334·6	250·0	48	0·20	67
Apr. 2	230·0	322·8	230·0	48	3·93	60
,, 10	250·0	357·6	250·0	48	4·20	62
,, 17	230·0	360·8	230·0	48	3·51	45
,, 24	210·0	330·3	210·0	47	8·04	58
May 1	210·0	351·1	210·0	47	7·37	34
,, 8	240·0	347·4	240·0	47	7·83	56
,, 15	250·0	345·8	250·0	47	8·01	62

On May 15th applications for 91 day bills to be paid from May 18 to May 23, 1953, were accepted dated Monday to Saturday as to about 62 per cent at £99 8s. 1d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million were offered on May 22nd. For the week ended May 23rd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals 6 weeks ended: May 10, 1952	May 9, 1953	Week ended May 9, 1953
SAVINGS CERTIFICATES			
Receipts	13,900	24,100	4,800
Repayments	17,500	14,600	1,900
Net Savings	*Dr 3,600*	9,500	2,900
DEFENCE BONDS			
Receipts	5,025	9,950	1,525
Repayments	8,865	11,870	2,240
Net Savings	*Dr 3,840*	*Dr 1,920*	*Dr 715*
PO AND TRUSTEE SAVINGS BANKS			
Receipts	86,656	91,846	18,126
Repayments	88,830	99,349	18,292
Net Savings	*Dr 2,174*	*Dr 7,503*	*Dr 166*
Total Net Savings	*Dr 9,614*	77	2,019
Interest on certs. repaid	4,725	4,234	551
Interest accrued	14,767	14,856	2,457
Change in total invested	+ 428	+ 10,699	+ 3,925

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

MAY 20, 1953

	£		£
NOTES ISSUED:-		Govt. Debt	11,015,100
In Circulation	1523,605,236	Other Govt. Securities	1535,763,523
In Banking Department	26,751,587	Other Securities	707,992
		Coin (other than gold)	2,513,385
		Amount of Fid. Issue	1550,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1550,356,823		1550,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	365,109,439
Rest	3,361,060	Other Securities	24,585,706
Public Depts.	57,073,770	*Discounts and Advances*	*6,640,002*
*Public Accts.**	*11,339,441*	*Securities*	*17,945,704*
H.M. Treas. Special Acct.	*45,734,329*		
Other Depts.	343,361,221		
Bankers	*273,193,909*	Notes	26,751,587
Other Accts.	*70,167,312*	Coin	1,902,319
	418,349,051		418,349,051

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	May 21	May 6	May 13	May 20
ISSUE DEPT.:—				
Notes in circulation	1,405·9	1,516·5	1,519·7	1,523·6
Notes in banking department	44·3	33·8	30·6	26·8
Government debt and securities*	1,446·7	1,546·7	1,546·8	1,546·8
Other securities	0·8	0·8	0·7	0·7
Gold and coin	2·9	2·9	2·9	2·9
Value at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT.:—				
Deposits:—				
Public Accounts	10·8	14·4	14·7	11·3
Treas. Special Acct.	0·5	39·5	45·7	45·7
Bankers	281·7	269·0	263·4	273·2
Others	71·9	65·3	67·2	70·2
Total	364·9	388·2	391·0	400·4
Securities:—				
Government	295·0	321·5	348·2	365·1
Discounts, etc.	17·3	13·2	10·0	6·6
Other	24·5	35·7	18·3	17·9
Total	336·8	370·4	376·5	389·6
Banking dept. reserve	45·9	35·7	32·4	28·7
	%	%	%	%
"Proportion"	12·5	9·1	8·2	7·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,500 million to £1,550 million on March 25, 1953.

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

	May 20, 1952	May 4, 1953	May 19, 1953
Cereals and meat	182·4	202·9	202·7
Other foods	189·2	198·2	198·5
Textiles	228·0	218·6	221·6
Minerals	380·5	341·4	344·4
Miscellaneous	190·3	181·6	181·5
Complete Index	**222·3**	**220·3**	**221·3**
1913=100	*305·9*	*303·2*	*304·4*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1953	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 14	74·00	85·25	165 3	88 9
,, 15	74·00	85·25	163 12	87 12
,, 16	Markets closed		163 6	87 13
,, 18	74·00	85·25	162 10	87 7
,, 19	74·00	85·25	161 0	87 2
,, 20	74·00	85·25	161 7	87 8

COMPANY MEETINGS

ANGLO-IRANIAN OIL COMPANY

RESULTS OF FIRST FULL YEAR WITHOUT SUPPLIES FROM IRAN

PRODUCTION AND REFINING DEVELOPMENTS

SALES VOLUME EXPANDING

COMPANY'S ATTITUDE IN IRANIAN DISPUTE DEFINED

SIR WILLIAM FRASER'S STATEMENT

The forty-fourth annual general meeting of the Anglo-Iranian Oil Company, Limited, will be held on June 11th at Britannic House, Finsbury Circus, London, EC.

The following is the statement to stockholders by the chairman, Sir William Fraser, CBE, LLD, which has been circulated with the report and accounts for the year ended December 31, 1952:

Since the last annual general meeting Sir Hubert Heath Eves, Mr J. A. Jameson and Mr F. G. C. Morris have resigned from the board, and Mr H. E. Snow, Mr J. M. Pattinson and Mr W. E. V. Abraham have joined the board; the two first named have been appointed managing directors. On the recent retirement of Sir Thomas Gardiner, who has been our valued colleague since his appointment as an ex-officio director in 1950, Her Majesty's Treasury has appointed Mr F. E. Harmer to succeed him on the board.

Sir Hubert Heath Eves was a managing director from 1924 to 1950 and deputy chairman from 1941 to 1950, since when his profound knowledge of our shipping and sales activities which he so long and successfully directed has continued invaluable in our councils. Now that he has decided to retire, we pay tribute to a colleague who has been for nearly thirty years in the front rank of those who have built up your company's organisation, in which his ability and personality have long been regarded with respect and affection.

In Mr Jameson we lose an outstanding pioneer of the company's operations in Iran, where he served from 1909 until 1927, finally as general manager. He then returned to London as a deputy director, becoming a managing director in 1939. During this long service of 43 years with the company he has seen, and himself been a major contributor to, its development from the first stage in Iran just after oil was originally struck there in 1908 to its present world-wide organisation. For his achievements on your company's behalf, we owe him a deep debt of gratitude.

Mr Morris was first associated with the company in 1921 in connection with the formation of our associated company in France. From then onwards his energies were concentrated on our distribution and marketing activities, and he became a deputy director in 1927 and a managing director in 1946. He has played a prominent part in the extension of the AIOC group's sales organisation and he will be greatly missed from our deliberations.

Mr Snow and Mr Pattinson have both had more than 30 years' service with the company and have been deputy directors for the past few years. Mr Abraham is managing director of The Burmah Oil Company, Limited.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The accounts for 1952 have been prepared in the same form as those for the previous year.

Owing to the continuance of the dispute with the Iranian Government regarding our rights and properties in Iran, no operations of the company or its subsidiaries took place in that country during 1952, and our assets and liabilities there have been included in these accounts at substantially the same figures as for 1951. It is not at present practicable or advisable in the stockholders' interests to alter the form of items relating to Iran in our accounts which, together with the contents of this statement, it is your board's desire to make as fully informative as possible regarding the company's business.

The consolidated trading profit for 1952 was £45,354,732 after provision of £14,198,946 for depreciation on fixed assets, allied companies and other trade investments, and oil exploration interests. The gross trading profit thus totalled £59,553,678, comparing with £71,377,882 for 1951, from which depreciation and other write-offs totalling £23,682,949 were provided. **1952 was the first full year during which we had no oil production from Iran and the effect of this deprivation on our business, despite the greatly increased supplies which we obtained from other sources, is reflected in the reduction in our trading profits.**

Provision for depreciation in 1952 was £9,484,003 less than in 1951, partly because of the discontinuance as from March 31, 1952, of initial allowances on capital expenditure, and partly because no further amounts have been written off capital assets in Iran.

The item land, oil wells, pipe lines, refineries, etc., in the consolidated balance sheet shows an increase of £36,876,204, compared with 1951, mainly because of expenditure on our refineries in the United Kingdom and at Aden. This item also includes for the first time the company's capital assets in Kuwait because, as I informed you last year, our interests there have been held since December, 1951, by a subsidiary company instead of through an associated company as formerly.

Investments in subsidiary companies not consolidated and allied companies show an increase of £7,631,419 attributable mainly to larger needs for distribution in Australia, New Zealand, India and Pakistan.

After providing £22,666,344 for taxation on profits, the amount available for reserves and dividends is £25,165,966, compared with £24,233,050 for 1951. Your directors have allocated £1 million to preference stock reserve, bringing the total to £10 million, and have placed £16 million to general reserve, which now stands at £97 million. They have recommended a final dividend on the ordinary stock of 25 per cent, and in addition a cash bonus per £1 stock of one shilling, both less income-tax. The total distribution for the year would approximate 7 per cent on the ordinary stock plus general reserves.

Study of these accounts will, I am sure, point to the conclusion that a more substantial distribution would be warranted. However, in view of the abnormal conditions affecting our operations and the extra capital commitments which these entail, your directors consider that it is not yet wise to relax the policy of conserving the company's financial strength which has enabled it to withstand the most damaging actions of the Iranian Government.

The company's issue of £20 million 5 per cent debenture stock in January last was largely oversubscribed. Preferential treatment was accorded to existing preference and ordinary stockholders applying for the new stock, of which the total number of re-registered holders is at present about 25,000. **The purpose of this issue was to supplement the company's existing resources in financing the current programme of capital expenditure, mainly on construction and extension of refineries and building of tankers. This large programme on which expenditure during 1952 was approximately £57,400,000 and during 1953 is estimated at £75 million is designed to maintain the company's position in the forefront of the highly competitive and progressive world petroleum industry.** As indicated in the prospectus of this debenture issue an alteration in the company's articles of association to increase the present borrowing powers of the directors will be proposed for your sanction at the annual general meeting on June 11th.

In that prospectus the opinion of your directors was stated to be that the company's consolidated gross profits for the year ending December 31, 1952, before provision for depreciation, would be of the order of £50 million; that the profits of the group in future years should be favourably affected by the increase in its crude oil supplies and the expansion of its refining capacity and tanker fleet, but that it should be remembered that profits must always be affected by variations in the general level of world oil prices: and that provided no severe drop in prices occurs and in the absence of other circumstances beyond the company's control, the consolidated gross profits before depreciation for the year 1953 should be not less than the estimate for the year 1952. So far as 1952 is concerned that opinion has been confirmed by the year's results set out in these accounts. Although profit margins are currently smaller than in 1952, this has so far been compensated for by an encouraging expansion in the volume of our trade.

THE COMPANY'S INTERESTS IN IRAN

Events regarding the company's interests in Iran since my last statement to you have been so extensively reported in the press that they can be dealt with here in summarised form.

It will be recalled that Her Majesty's Government had referred the dispute with the Iranian Government to the International Court of Justice at The Hague in May, 1951, at the same time as the company applied to

the President of the Court, under the terms of its 1933 Agreement with the Iranian Government, for the appointment of a sole arbitrator to settle the differences which had arisen. The Court had also, in July, 1951, made an Order indicating certain provisional measures which would apply pending the Court's final decision in the proceedings instituted by Her Majesty's Government. The Iranian Government for its part refused to consent to the Court or its President acting upon the applications which had been made to them, and claimed that, without this consent, the applications must fail. The procedural objections of the Iranian Government were upheld by decisions given in July and August, 1952, but neither the Court nor the Vice-President of the Court, who replied to the company's application, were concerned in any way with the merits of the dispute. **The validity of the company's claims against the Iranian Government remains unaffected by their decisions.**

MAJOR ATTEMPTS TO SETTLE DISPUTE

There have now been no less than five separate major attempts to settle the dispute. Three missions—from the company in June, 1951; from Her Majesty's Government in August, 1951, following discussions by the special representative of the President of the United States, Mr Averell Harriman, and from the International Bank for Reconstruction and development early in 1952—have visited Tehran and have tried to reach a settlement (in the case of the International Bank of an interim nature) through direct negotiations. **On each occasion their proposals were rejected by the Iranian Government. Despite this, efforts have continued through governmental channels, and these led to the submission of further proposals to the Iranian Prime Minister in August, 1952, and again this year.**

The proposals communicated on August 30th last were joint Anglo-American proposals, and were delivered under cover of a message to the Iranian Prime Minister signed by both the Prime Minister of the United Kingdom and the President of the United States. The main points were that the question of compensation for the loss of the company's enterprise in Iran should be referred in its entirety to the International Court for adjudication; and that agreement on this procedure should be followed by negotiations for the movement of oil from Iran to world markets, and by an immediate grant to be made by the United States Government to the Iranian Government to assist the latter in meeting its budgetary problem.

In its reply on September 24th the Iranian Government put forward counter-proposals regarding the basis on which the issue of compensation should be referred to the International Court. The counter-proposals included the demand that the claims of the company for compensation should be restricted to the property which belonged to the company in Iran at the time of the passing of the Nationalisation Laws, and that the company should have no right to make any further claims whatsoever. This would have expressly excluded all possibility of a claim by the company for the loss of the 1933 Agreement which was terminated unilaterally by the Iranian Government, regardless of the procedure laid down in the agreement for the settlement of differences by arbitration, and regardless, too, of the explicit undertaking contained in the agreement that it would not be so terminated. The fact is that the company has been deprived of the benefit of extracting and disposing of Iranian oil for the remaining period of the agreement, and an award of compensation based on the loss of the company's installations alone would quite fail to recognise this fact.

Her Majesty's Government rejected the counter-proposals on October 14th, reiterating that the International Court should be asked to consider all claims and counter-claims of both parties without limitation. Furthermore, they rejected a demand for payment, in advance of the hearing by the International Court, of a sum of £49 million which the Iranian Government alleged, quite incorrectly, to be owed it by the company; and pending agreement on the terms for adjudicating the question of compensation, Her Majesty's Government, on their own behalf and on behalf of the company, reserved their full legal rights.

Shortly afterwards, on October 22, 1952, the Iranian Government formally severed diplomatic relations with Her Majesty's Government.

PROPOSALS EARLY THIS YEAR

Proposals were again submitted early this year, through the good offices of the United States Ambassador in Tehran. **The negotiations were entered into on the understanding that Dr Musaddiq would be willing to have the question of compensation settled by the International Court of Justice on the basis of any United Kingdom Nationalisation Law which the Company might select, whatever the provisions of that law might be.** Had there been formal agreement on this point and on the methods for the actual payment of the award of the Court, the United States Government was prepared to make monetary advances to the Iranian Government to be repaid in oil. This oil purchase contract would have included an undertaking by the Iranian Government to enter into negotiations with an organisation of an international character, in which the company would have participated, for the purchase of large quantities of oil over a period of years. **Iran would thus have had control over its oil industry, subject only to the prior obligation to pay such compensation as the Court might adjudge proper.** This obligation could have been discharged either by payment of 25 per cent of the proceeds from Iran's future oil sales or, if agreed by the Iranian Government and the company, by deliveries of crude oil or oil products. And, under an alternative proposal, if the payments from proceeds were less in any year than five per cent of the amounts due to the company from the Court's award, Iran would have made up the difference by delivering oil to the company. **The award could thus have been discharged largely, and perhaps entirely, in the form of oil from the enormous reserves discovered by the company in Iran, and by means of the highly developed production facilities it had installed there.**

In the Anglo-United States communiqué of March 7, 1953, the United States Government described these proposals as "reasonable and fair," but once again no agreement was reached with the Iranian Government. Broadcasting on March 20th a rejection of the proposals, Dr Mussadiq set out what were reported to be his Government's proposals regarding a settlement. These were that the company should agree on a basis for the assessment of compensation which must be acceptable to the Iranian Government, or alternatively that the company should state a maximum figure for compensation which would have to be considered just by the Iranian Government. The Iranian Government would then be ready to allow the compensation issue to be submitted to the International Court of Justice and, within the limit, in effect, of the Iranian Government's own arbitrary maximum figure, would be ready to pay any compensation subsequently awarded by the Court out of the proceeds of sales of Iranian oil or by delivery of Iranian crude oil or products. As an alternative to referring the issue of compensation to the International Court, Dr Musaddiq finally suggested direct negotiations for a settlement with representatives of the company and of Her Majesty's Government.

In his same broadcast Dr Musaddiq not only refused again to allow the loss of the company's 1933 Agreement to be taken into account in the framing of terms of reference for the International Court of Justice, but he went further and asserted, not for the first time, that the Agreement itself was invalid. It is against this background, involving the company's prior acquiescence in his contentions, that Dr Musaddiq's latest proposals have to be viewed.

OBSERVANCE OF CONTRACTS A FUNDAMENTAL FACTOR

The proper observance of contracts is a fundamental factor in international trade, and Her Majesty's Government and the company have stood on the principle, well established in international law, that compensation for losses resulting from expropriation must be prompt, adequate and effective. Whilst the company would be ready to accept payment by instalments the Court must, if the principle regarding compensation is to be preserved, be free to give unfettered consideration to the company's claims in respect of the loss of the 1933 Agreement. **That Agreement remained the unchallenged legal basis for the company's operations in Iran for eighteen years, the company, on the strength of it, being encouraged to make an investment in a foreign country of unprecedented magnitude.** It had been fully discussed with senior Ministers of the Iranian Cabinet before it received the signature on April 29, 1933, of the Iranian Minister of Finance acting on behalf, and with the full authority, of his Government. The Agreement was then presented to the Iranian Majlis in full open session and ratified by that body on May 28th following, thereafter receiving the Imperial Assent. Earlier in the same year the issues which had arisen with the Iranian Government had been referred to the Council of the League of Nations, the latter appointing a rapporteur. When, on October 12, 1933, the rapporteur reported to the Council on the new Agreement which had been negotiated between the Iranian Government and the company, the Iranian representative at the Council announced his Government's entire approval. **These facts speak for themselves and entirely contradict Dr Musaddiq's contention that the 1933 Agreement was never valid.**

ILLUSORY COMPENSATION PROVISIONS

On the matter of compensation I should also make plain that the Iranian Nationalisation Laws of 1951 do no more than provide that the Iranian Government can deposit in a bank "up to 25 per cent of current revenue from the oil after deduction of exploitation expenses in order to meet the probable claims of the company," and that the Government should examine both its own claims and those of the company and submit suggestions for the approval of the Iranian Majlis.

From the outset the company has regarded these compensation provisions as illusory, and so far events have proved this view to be correct. They are not concrete measures for the effective payment of adequate compensation; they merely empower the Government of Iran, if it so chooses, to deposit in a bank up to 25 per cent of very uncertain future net revenue for payment of such compensation as it may itself judge to be rightful and as the Iranian Majlis may approve, after deduction of the Government's as yet unspecified counter-claims against the company. **Iran would become the sole judge both of its own claims and of those of the company.**

No reliance could be placed on the award and payment of compensation by methods so conjectural and so completely non-commital as those provided under the Nationalisation Laws. The company is at present dispossessed of its property, rights and interests in Iran, thereby suffering grievous losses. The Iranian Government has neither paid compensation nor agreed a satisfactory basis and procedure for the future assessment and payment of compensation, and the practical effect of the laws has thus amounted to confiscation.

ACTION TAKEN TO PROTECT RIGHTS

The company, therefore, continues to claim the title to all oil derived from the area of its operations in Iran, and has accordingly published announcements in many countries stating that it will take all such action as may be necessary to protect its rights should any concerns or individuals participate in transactions affecting such oil. Legal proceedings, as briefly described hereunder, have already been taken in Aden, Italy and Japan.

In May, 1952, a shipment was made from Bandar Mashur of a small cargo of crude oil on board the tanker *Rose Mary*. When this ship called at Aden the company instituted proceedings before the Supreme Court at Aden for ownership of the oil, and judgment in the company's favour was delivered early in January last. The defendants have a right of appeal to the Court of Appeal for East Africa in Nairobi and notice of appeal has been served on the company. In the case of a small cargo of fuel oil shipped from Abadan on board the tanker *Miriella* and discharged at Venice in February, 1953, the company applied to the local Italian Court for an order for the physical impounding of the cargo. The object of this application was to prevent the shippers from selling or removing the cargo pending a decision in the main proceedings which the company has initiated in Rome in order to determine the ownership of the oil. This preliminary application to the Venice Court was unsuccessful, but this does not involve any decision on the merits of the company's case in the Rome Courts. The company has also initiated legal action in Rome, regarding further cargoes of Iranian oil landed in Italy, and in Tokyo regarding a cargo shipped by a Japanese company.

PRODUCTION AND EXPLORATION

Crude oil production in Kuwait, Iraq and Qatar was largely increased during 1952, when our offtake from those sources of supply totalled some 25,600,000 tons, compared with 16,600,000 in 1951. During 1953 we expect to have available some 35 million tons from Kuwait, Iraq and Qatar.

Kuwait was our major source of supply in 1952, our offtake from the Burgan field being 19,820,000 tons, compared with 13,287,000 tons in 1951. The northerly extension of the Burgan field at Magwa was developed during the year and came on production in February, 1953. A test well on a subsidiary structure east of the Burgan field has indicated a further addition to the field on this flank also. Production, pipeline and tanker loading facilities are being actively developed to allow a further increase in production.

Our offtake from the Iraq Petroleum Company's production was 4,295,000 tons, compared with 2,316,000 tons in 1951. This increase in offtake has been made possible by the commissioning of the new 30-in. pipeline from the Kirkuk oilfield to the Mediterranean in April, 1952.

The Ain Zalah field of the Mosul Petroleum Company commenced production in October, 1952. The present offtake from the field approaches the capacity of the 12-in. pipeline from Ain Zalah which has been built to join the main Mediterranean pipeline system from Kirkuk. Exploration in this area is proceeding.

The company's offtake from the Basrah Petroleum Company's Zubair field was 547,000 tons. This field is being actively developed and production and pipeline facilities to the shipping terminal at Fao are being extended.

In Qatar our offtake was 775,000 tons, compared with 592,000 tons in 1951. Production facilities are being installed to increase still further the offtake from this field. A revised agreement was signed on September 1, 1952, with the Ruler of Qatar by Petroleum Development (Qatar), Limited, whereby profits from that company's operations within Qatar will be shared equally with the Ruler. You will recall that your company has a 23¾ per cent shareholding in Petroleum Development (Qatar), Limited.

The Khanaqin Oil Company produced 492,000 tons, which were sold to the Iraq Government in accordance with the new agreement described in my last statement, from the Naft Khaneh field in North-East Iraq, compared with 437,000 tons in 1951. A new well was started at Chia Surkh at the close of the year and preparations are also in hand to drill below the present producing zone in the Naft Khaneh field.

In the United Kingdom our crude oil production was 55,400 tons, compared with 45,100 tons in 1951. This increase is due to an extension of our secondary recovery operations by water injection, which is proving a most successful means of maintaining production. The search for deeper sources of oil at Formby has continued to be unsuccessful.

In Scotland, production of shale-oil in 1952 was 106,500 tons, being 2,000 tons more than for the previous year. Higher costs of supplies, principally coal, pitwood and chemicals, and increased wages and salaries, and a substantial reduction in revenue resulting from lower prices of paraffin wax, were together responsible for the shale industry operating at a loss in 1952. Conditions have, unfortunately, continued to deteriorate this year, with further increases in costs and reduction in revenue due to decreases in product prices, so that the industry is faced with an exceedingly difficult situation.

EXTENSION OF EXPLORATION ACTIVITIES

Our exploration activities in other parts of the world have been extended. In our joint undertaking **in Papua** with American and Australian interests, no commercial production has yet been found; a deep well at Hohoro was completed as a dry hole at a depth of 10,642 ft; another well at Omati has reached 13,060 ft without finding oil in commercial quantities. Geological and geophysical exploration continued throughout the year and as a result of their findings exploration is now being concentrated in the western part of the territory.

In Nigeria, in partnership with the Shell group, the first deep test well was completed without finding oil and two more are now drilling. Extensive geological and geophysical surveys have added greatly to our knowledge of the region.

In Tanganyika and Zanzibar, in association with the Shell group, concessions for exploration have been obtained and geological and geophysical surveys, including an aeromagnetic survey, have begun.

Exploration rights have been obtained by **Trinidad** Northern Areas, Limited, in which we hold a one-third interest, over a substantial marine area in the Gulf of Paria, and preparations are being made for test drilling. Preparations were also made for drilling in the Central Range Reserve.

In Sicily, preliminary geological and seismic surveys have been encouraging.

We have obtained exploration rights over two marine areas off the Trucial Coast **in the Persian Gulf;** one at Abu Dhabi and the other, in which we are associated with French interests, at Dubai.

REFINING

At our refineries in **Great Britain,** throughputs were considerably increased during 1952. Llandarcy refined 4,254,000 tons, against 3,671,000 tons in 1951, and Grangemouth 2,375,000 tons, against 1,512,000 tons. At the end of the year work was completed on the new catalytic cracking units at both Llandarcy and Grangemouth and these plants were commissioned in January, 1953. Good progress was made on the new lubricating oil plant at Llandarcy; it is expected to be in service by the middle of this year.

At Pumpherston refinery, which operates on Scottish shale oil and crude petroleum produced in the United Kingdom, throughput was 159,000 tons.

The new Kent refinery commenced operations early this year, and by March a crude throughput corresponding to an annual rate of 3 million tons was being processed, which it is hoped to increase to 4 million tons per annum by December. The catalytic cracking unit is expected to be commissioned during the second half of this year, followed shortly afterwards by the lubricating oil plant.

The company's postwar programme for increasing its refinery capacity in the United Kingdom is thus being brought to fruition. The result will be to have expanded this capacity over tenfold, from under 1 million tons per annum prewar to 10,500,000 tons per annum by the end of this year, with a corresponding improvement in the diversity and quality of products.

The British Petroleum Chemicals, Limited, plant at Grangemouth encountered the troubles often occurring in the early operational stages of complicated plant, but since the second quarter of 1952 has operated satisfactorily. The construction of the adjacent plant of Forth Chemicals, Limited, for the production of monomeric styrene had not been completed at the end of the year, but it is now in commission.

In Belgium, the refinery at Antwerp, which we own jointly with the Petrofina Company, processed 1,718,000 tons, as against 318,000 tons in 1951. Plans have been approved for a catalytic cracking unit to be installed and certain modifications to be made to existing plant which will increase the capacity of this refinery to 2,700,000 tons per annum.

In France, the refineries of Société Générale des Huiles de Pétrole BP showed a substantial increase in throughput. At Dunkirk, 1,697,000 tons were processed, as against 617,000 tons in 1951, and at Lavera 2,061,000 tons, compared with 1,814,000 tons. During the year a new lubricating oil plant was brought into service at Dunkirk, where a platforming unit for improved motor spirit production is also to be installed.

In Germany, our Hamburg refinery processed 663,000 tons, compared with 620,000 tons in 1951. Construction has commenced of additional plant, which will increase refining capacity to 1,250,000 tons per annum and improve the quality of the motor spirit production. The Oelwerke Julius Schindler refinery processed 177,000 tons of crude oil, against 150,000 tons in 1951; plant is being installed to increase the output of lubricating oils.

In Italy, the Marghera refinery of Industria Raffinazione Olii Minerali, which we own jointly with Azienda Generale Italiana Petroli, refined 1,167,000 tons of crude oil, as against 687,000 tons in 1951. The new thermal reformer was commissioned in October. A catalytic polymerisation plant, for the manufacture of high-grade motor spirit components, is at present under con-

struction, as well as plant for the production of industrial lubricants.

In Israel, the refinery at Haifa is still only working at under one-quarter of its total capacity of 4 million tons per annum, the 1952 throughput being 843,000 tons for local consumption.

The **Kuwait** refinery processed 1,272,000 tons, an increase of 115,000 tons over 1951.

In Australia, Laverton refinery at **Melbourne** throughput was 161,000 tons, against 143,000 in 1951.

Work is proceeding satisfactorily at our two large new refinery projects at Aden and at Kwinana in Western Australia. Both these refineries, of 5 million tons and 3 million tons throughput capacity respectively, are expected to be in operation in 1955.

PIPELINE AND SEA TRANSPORT

The Iraq Petroleum Company's 30-in pipeline from the Kirkuk oilfield to the Syrian terminal at Banias was completed and the first tanker loaded at Banias in April, 1952.

The Mosul Petroleum Company's 12-in pipeline connecting the Ain Zalah field to the main pipeline system at K2 pumping station was commissioned on October 1, 1952.

When I last addressed you, the British Tanker Company's fleet numbered 155 ships totalling 1,950,000 deadweight tons. Since then five old ships totalling 48,000 deadweight tons have been disposed of and one 32,000 tons ship has been added to our fleet, making its present total 151 ships of 1,934,000 deadweight tons.

Further orders have been placed for seven 32,000-ton vessels, so that we now have under construction or on order 27 ships totalling 618,000 deadweight tons, comprising twelve of 32,000, twelve of 16,000, and three of 14,000 tons. Two of the ten 16,000-ton ships on order for the Lowland Tanker Company for our service are expected to be commissioned this year.

In addition to our own fleet, we continue to have about 2 million deadweight tons of tanker shipping on charter.

The written-down value of the British Tanker Company's fleet in service at December 31, 1952, was £4 14s. per deadweight ton, and the average age per deadweight ton of the vessels was just under nine years. While the cost per deadweight ton of building tankers varies according to the size of the vessel, an average figure is now of the order of £65.

DISTRIBUTION AND SALES

Following successive annual increases of around 12 per cent in world demand (excluding the Iron Curtain countries) for petroleum products in 1950 and 1951, the expansion in 1952 slowed down to about 5 per cent, which even so necessitated the production and refining of some 30 million additional tons of oil. As there were no exports from Iran in 1952, against 14 million tons exported during the first half of 1951, the increase in world demand in 1952 involved an increase of 44 million tons from other sources. Not only was this provided, but before the end of the year there had been built up a considerable margin of production capacity.

In the eastern hemisphere, with which we are mainly concerned, the increase of consumption in 1952 was at a higher rate than the world average, being approximately 8 per cent.

The difficulties which we have been facing due to the denial to us of supplies from Iran were accentuated in the earlier part of the year by a world scarcity of tanker tonnage available for prompt chartering. This forced up the rates for the extra chartering needed to supplement our own fleet and period chartered vessels to very high levels, and further restricted our activities. **Nevertheless, the AIOC group's sales of crude oil and refined products in 1952 totalling just over 32 million tons showed a decrease of only 3 million tons, or 8.6 per cent, compared with 1951;** this comparison excludes sales made internally in Iran, and the sales of our products in Iraq which are now made on Iraq Government account. In order to achieve this volume of business we have supplemented the maximum use of our own resources both by hiring refining capacity, through which means we had some 3 million tons of crude oil processed, and by purchasing a total of nearly 7 million tons of oil mainly in the form of refined products.

Our position improved as the year progressed. We were able to discontinue purchasing crude oil early in the year, as increased supplies became available from our own group resources. Our sales in the second half of the year exceeded those for the first six months by 1½ million tons, our purchases were reduced by 1 million tons and we were able to show an increase in sales, compared with the second half of 1951, of just over 11 per cent. This increase occurred mainly in crude oil, sales of refined products being only marginally above those for July-December, 1951.

MAINTENANCE OF MARKETING POSITION

We have been principally concerned to maintain our marketing position by providing our marketing associates with supplies adequate to maintain their activity, and I am glad to be able to say that whilst we could not keep pace with the whole increase in consumption, **our sales of refined products in the markets supplied through our subsidiary and associated marketing companies were above those for 1951, though only by some 2½ per cent.** Both diesel oil and fuel oil were particularly difficult for us at the beginning of the year, resulting to our regret in some contraction in our bunkering supplies.

The commissioning of our Kent refinery early in 1953 has effected an important increase in our availability of products of our own manufacture. But the problems of supplying economically our market outlets east of Suez will remain considerable until we can bring into operation the refineries now being constructed at Aden and at Kwinana in Western Australia. These are large undertakings; construction work is being pressed forward as rapidly as possible, but we cannot expect these new plants to be on stream before the end of 1954. When they are completed, we shall, in conjunction with the expansion of our other refineries, have a total refining capacity of some 30 million tons per annum. Not only will this allow for an appreciable extension of our group's sales of products, which in 1952 amounted to just under 23 million tons, but also we shall have a chain of refineries well placed to supply our markets throughout the eastern hemisphere.

World market export prices for refined products and crude oils remained substantially unchanged throughout 1952, apart from a fall in the price of heavy fuel oil about the middle of the year. Selling prices in the consuming markets were advanced for all products in the early part of the year, due to the increase in freight rates, but as the latter declined again it was possible to reduce selling prices, which stood at the end of the year below the levels ruling at the beginning.

REINTRODUCTION OF BRANDED PETROL

In the United Kingdom, the total inland consumption of petroleum products showed only a modest rise during 1952. The consumption of motor spirit showed no increase compared with the previous year; this occurred despite there being a greater number of vehicles on the roads, and is a reflection of the high level of taxation on motor fuel, which affects all users. The oil companies, too, have a heavy burden to bear in financing the duty payments, a burden which they are not called upon to carry in such an onerous manner in other countries. We are very glad that the reintroduction in this country of branded petrol and premium grades was, after the very long gap of thirteen years, authorised to take place on February 1, 1953, thus again giving the motorist the opportunity of purchasing, if he so desires, the better quality petrol for which manufacturing facilities had been provided. The response to the reintroduction of premier grades, which represent a substantial improvement beyond the qualities obtainable before the war, has shown conclusively that this development has been welcomed. **BP Super has been exceedingly well received by the public, and I hope that our motorist stockholders have found full satisfaction from it and from our BP Energol motor oils, which, too, are winning excellent reports.**

DEVELOPMENTS IN AUSTRALIA

In Australia, we have become wholly the owners of our associated company, The Commonwealth Oil Refineries, Limited, as a result of our acquisition of the Commonwealth Government's shareholding. This acquisition came about in consequence of the Commonwealth Government finding it had not the necessary constitutional powers to contribute its share of the additional capital required to finance the necessary development of CORs distribution facilities in a rapidly expanding market. I take this opportunity of expressing our regret at the severance of a long and happy association extending back to 1920. The Commonwealth Government, together with the Government of Western Australia, have given us every possible help and encouragement over the construction of our Kwinana refinery, for which we are most grateful.

In all our markets supply difficulties have been resolutely tackled and constant effort is being applied to still further increasing the efficiency of our distributing and selling operations.

As we are at present dependent on purchases for our supplies of aviation gasoline, it has not been possible for the BP Aviation Service to continue its expansion in this field, and our efforts have been concentrated on the maintenance of our existing business and in catering for the rapidly expanding demand for aviation turbine fuel.

The BP International Bunkering Service is now represented at some 150 ports on world shipping routes. The cordiality of our relationships with so many of our shipowning friends whom we have continued to serve for very many years is a matter of particular satisfaction to us, and the bunkering business remains a most important branch of our activities.

INCREASING LUBRICATING OIL BUSINESS

Our lubricating oil business is increasing steadily. The first of the group's new lubricating oil plants came into operation, at Dunkirk, in the summer of 1952, and during the year 1953 our supplies will be augmented on the completion of the plant extension at Llandarcy. It is expected that by the early part of next year supplies will be coming also from the Kent refinery, where a large lubricating oil unit is under construction. Our BP Energol brand lubricants are now on sale in nearly all our European markets and in North Africa; plans are well advanced to introduce them in those not so far covered, and in Australia and New Zealand.

The volume of our sales during the early months of 1953 has shown an encouraging expansion. On the other hand, market conditions are more difficult. Selling prices have been reduced as a result of lower freight levels and, in addition, the more ample availability of refined products has led to very competitive conditions. Consequently, profit margins today are smaller than was the case in 1952.

RESEARCH

Research and development activities have been fully maintained and have resulted in important contributions towards efficient and economic operations.

Comprehensive investigations have been made at Sunbury Research Station to ensure that our new premium grade motor spirit, BP Super, is most suitable for the United Kingdom climate and for the types of motor in general use. Much research effort has also been directed towards methods of manufacture of a wide range of high-grade lubricants, for which two additional lubricating oil refining plants will shortly come into operation in our British refineries. These investigations have also been of assistance to our associated company in France, whose new equipment for the large-scale manufacture of lubricating oils was recently commissioned.

The qualities of other products such as gas turbine fuels, kerosines, tractor and diesel fuels, and fuel oils are under continuous scientific study not only in the laboratory, but in various types of equipment under practical operating conditions. Apart from the value of this service to consumers, it is of assistance to manufacturers of engines and other oil-consuming equipment.

The latest refining processes and developments are extensively tested in the laboratory and on the pilot plant scale to establish their value.

Our new "autofining" desulphurisation process, which I mentioned last year, has proved successful in operation at Llandarcy refinery, and similar plant is to be installed at Aden.

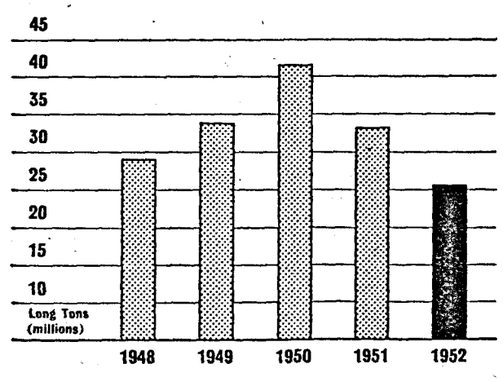
At the Kirklington Hall Research Station further progress has been made in the development of seismic survey equipment. Improved detecting and recording equipment has been designed, and is now being issued to our field survey parties. Petroleum engineering investigations have resulted in a better appreciation of the underground conditions in the oilfields in which we have interests.

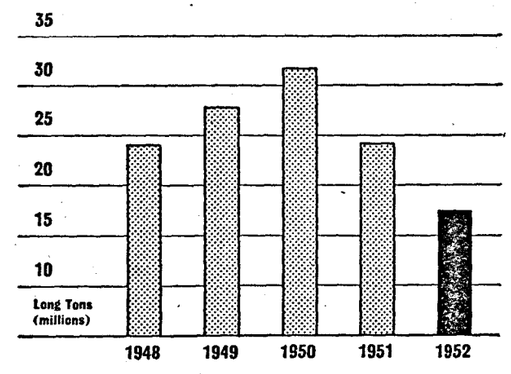
ANTI-TRUST LITIGATION IN THE USA

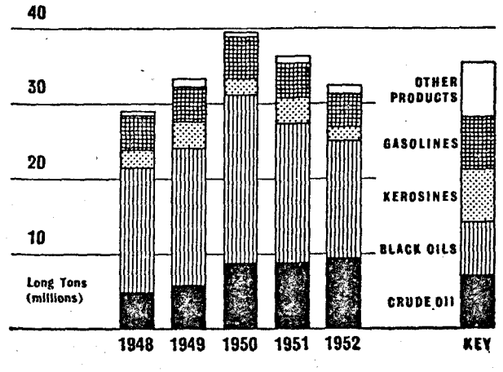
In September, 1952, the company, through its representative in New York, received a subpoena commanding attendance before a Federal Grand Jury convened in the District of Columbia to investigate alleged violations of US anti-trust laws, and requiring the production of documents for submission to the Grand Jury. The documents required were specified in such wide and general terms as to cover, broadly speaking, every aspect of the company's business. Several United States oil companies received subpoenas in similar terms. This investigation could have resulted in the initiation of criminal proceedings against the companies or their officers.

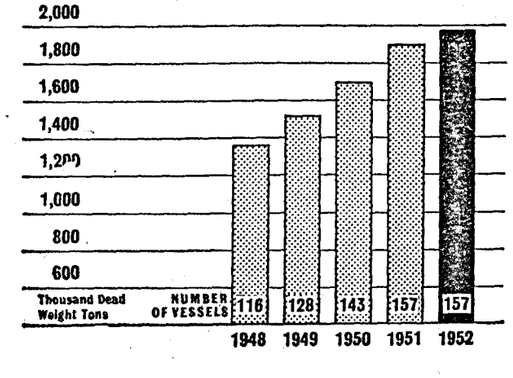
The company applied to the District Court of Columbia to have the subpoena quashed, and in support of this application produced a letter signed by the Minister of Fuel and Power and a further document signed by the Secretary of State for Foreign Affairs, which made it clear that Her Majesty's Government considered it contrary to international comity that the company should be required, in answer to a subpoena couched in the widest terms, to produce documents which were not only not in the United States, but which did not even relate to business in that country. On December 15th the District Court granted the company's application, thus freeing the company from further participation in the case.

On April 21, 1953, the United States Attorney General announced the filing of a civil suit against five United States oil companies, charging them with conspiring to violate United States anti-trust laws. This civil action takes the place of the above-mentioned Grand Jury investigation, whose discontinuance has been announced together with the quashing of the criminal subpoenas and the discharge of the Grand Jury. The United States Attorney General stated that the question of joining other companies, United States or foreign, in the suit would be considered should examination of the









documents to be produced by the defendants warrant amendment of the initial complaint.

In this connection I hope that it is unnecessary for me to tell you that your company's position is, as it was in connection with the previous proceedings from which it was freed in December last, that its operations are conducted in strict accordance with all laws applicable to the company or to companies through which it operates.

PERSONNEL

The company seeks to promote in every way the well-being of its employees, and gives special attention to training personnel with a view to developing their maximum capabilities. This includes a programme of executive training and inter-centre transfers to provide opportunities for wider experience of the many different aspects of the company's business.

I am glad to say that a substantial proportion, nearly one-third, of the 2,500 British staff expelled from Iran at the end of 1951 is now employed in other spheres of the company's organisation and those of its associated companies. The special arrangements, to which I referred last year, for assisting those employees whose services we have been unable to retain in consequence of cessation of our operations in Iran, have resulted in suitable employment elsewhere being found for over 90 per cent of those concerned. Similar assistance has been given by our Bombay and Karachi offices to Indian and Pakistani employees from Iran.

The company's personnel at home, afloat and overseas have continued to give zealous and efficient service, for which I am sure you will wish me to thank them on your behalf. The large and widespread developments described in this report reflect the skill and success of their efforts.

J. BIBBY & SONS, LIMITED

LARGER SALES OF ANIMAL FOODS

REMOVAL OF SUBSIDIES

MR H. P. BIBBY ON THE OUTLOOK AFTER DECONTROL

The thirty-ninth annual general meeting of J. Bibby & Sons, Limited, was held on May 15th at the registered office of the company, 21, King Edward Street, Liverpool, Mr H. P. Bibby, JP, the chairman, presiding.

The secretary (Mr Angus Morrice, FACCA) read the notice convening the meeting, and Mr E. T. Denton, FCA, read the report of the auditors.

The following is the chairman's review, which was circulated with the report and accounts for the year to December 31, 1952:

It will be observed that the profit shown in the consolidated profit and loss account is a little less than last year; there has been a fall in the profit of our subsidiary, Henry Cooke and Company (1932), Limited, due largely to a sharp decline in the price of paper and also to a serious recession in trade during the summer months. A small loss was incurred by Joseph Thorley Limited, a new subsidiary to which I refer in another paragraph.

The possibility of profits being adversely affected by a drop in the value of stocks held is one that has to be faced and the fact that the prices of many of our products are still five or six times above their prewar level suggests that reductions may be expected. The brighter side of the picture is that every decline in the price level eases the difficulty of providing finance.

The consolidated profit and loss account includes the profit of Twyford Mill Limited for the half-year January-June only, as the accounting year of this company ends, so far as 1952 is concerned, at June 30th. Joseph Thorley Limited enter into the consolidated profit and loss account as from July 1st. The accounts of all the companies in the group will in future be closed at the end of December each year.

ALTERATIONS TO SHARE AND LOAN CAPITAL

An issue of £1,450,000 5 per cent debenture stock 1966/81 was made in June for the purpose of providing capital for the purchase and financing of Twyford Mill Limited and Joseph Thorley Limited, and for providing capital of a more permanent nature to reduce the bank overdraft.

A bonus issue of 1 million fully paid ordinary shares was made to the ordinary shareholders in July with the object of bringing the equity capital of the company into closer relationship with the value of the assets owned by the company.

THE YEAR'S TRADING

The year's trading has been reasonably satisfactory and our sales of animal foods have increased slightly, in line with national sales. We are still acting as manufacturing agents for the Ministry of Food in seedcrushing, oil refining and the manufacture of compound cooking fat; the total national crush has remained at about the same level as last year and we were allocated approximately the same share of it. In oil refining and compound cooking fat our allocations were considerably less than in 1951 owing to the import by the Ministry of Food during the year of large quantities of lard.

The soap industry still remains highly competitive and vast sums are being spent on advertising by the large soapmakers. However, the reorganisation of our soap department, which took place in the latter part of 1951, is now having some effect and we are hopeful that our trade in soap will again become a profitable side of our business.

SUBSIDIARY COMPANIES

I have already referred to Henry Cooke and Company (1932) Limited under the heading of accounts, but it will be of interest to shareholders to know that new plant is in course of installation, which will substantially increase this company's output and also allow of a greater variety of paper to be made. The new development will come into operation in 1954.

Twyford Mill Limited, whose ordinary shares were acquired in January, 1952, has increased sales during the year and much work has been done in bringing the parent company's sales organisation into full employment for the sale of seeds and reorganising the Twyford sales force so as to combine the selling of seeds and animal foods into one organisation. The prospects for 1953 are good and we can reasonably expect a further increase in trade.

In June of this year our company bought the ordinary shares of Joseph Thorley Limited, the well-known and old-established firm of cattle food manufacturers in London. This company has premises at King's Cross and Wandsworth, and the latter are situated on the south side of the Thames and have excellent rail and water facilities; it is our intention to equip them as a modern mill for the manufacture of animal foods, thus putting into further effect our policy of dispersing this manufacture so as to reduce to a minimum the transport charges between the mill and the farmer.

When this work has been completed we shall be manufacturing feeding stuffs at Liverpool, Dunball in Somerset (which was in partial production during the year and will be in full production during 1953) and London, thus giving a more economical deployment of manufacturing resources. The new directors of Joseph Thorley Limited are J. W. Bibby, chairman; C. T. Higgins, managing director; J. K. Bibby, H. Mason Bibby and N. M. Bibby.

PROSPECT

Members will have already read in the press that on April 1st of this year the subsidies on animal foods were removed and that at the end of July rationing will be abandoned. There will still be some control over the buying of raw materials, especially from hard currency areas, but the industry will, after thirteen years of strict control, be virtually free from August 1st of this year.

We are therefore entering upon a new phase so far as animal foods are concerned, but with confidence that we can meet any difficulties that may come with it and that free enterprise will in every way be more satisfactory both for the consumer and for the industry.

Control over seedcrushing and oil refining will still remain, but within the next twelve months there may be a partial decontrol of compound cooking fat and in that case branded cooking fat will again be on the market. Preparations are well advanced for marketing "Trex" which, as will be remembered, was a household word before the war.

The decontrol of animal foods will bring with it a new financial burden and the high prices ruling must always involve the danger of incurring a stock loss, to which I have referred in another paragraph. For the latter reason alone I feel it would be rash to make any forecast for 1953.

PERSONNEL

It has been truly said that the highest end of government is the culture of men, and it would be equally true to say that the highest end of industrial management is to produce men of enterprise and initiative, and men having a keen and critical sense of good workmanship. If this end is kept well in view, industrial efficiency and industrial progress tend to follow as a matter of course.

With these few words I am glad to refer, as I have in the past, to the happy atmosphere which pervades our organisation and to express my keen appreciation and that of my co-directors, of the work of all those who have contributed, wherever they may be, to the success of our undertaking.

The report and accounts were adopted; the proposed final dividend of 2½ per cent, less tax, making 5 per cent, less tax, on the ordinary shares for the year was approved; the retiring director, Mr J. K. Bibby, was re-elected and the remuneration of the auditors, Messrs Edward Denton & Son, was fixed.

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

In the course of his remarks at the annual general meeting, Sir George Lewis Barstow, KCB, chairman of the company, said:

THE RISE IN INTEREST RATES

During 1952 the measures which the Government took to deal with the country's serious overseas trading situation have gradually become effective and, aided by a favourable movement in the terms of trade, have produced a welcome improvement in our balance of payments. A higher level of interest rates was one of the measures adopted in support of the credit restriction policy, and it was to be expected that these higher rates, with their corollary of lower market values, would persist for some time. This, indeed, has been the case.

In these conditions we decided that it would not be desirable to continue to value our liabilities on the basis which was adopted in 1947, when very low interest rates were current. To have done so would have been to retain the imprint of those abnormal conditions upon our affairs. Therefore, on the advice of the Actuary, the valuation of our assets and liabilities has been made in a way which is more in keeping with current circumstances. This results in what I may call a realignment of our accounts.

The changes in the valuation bases have been made effective, as from the beginning of 1952. The whole of the amounts released—nearly £10 million in each of the Life Branches—have been transferred directly to the respective investment reserve accounts, where they have been employed to reduce the balance-sheet values of the assets. Therefore, no part of these amounts has fallen into surplus and the effect of the changes has not been to weaken the company's position.

INVESTMENTS

As chairman of the largest life office in this country, I feel it is my duty from time to time to remind you of the care we devote to our investment responsibilities. The investment of accruing funds is a vitally important part of the conduct of the business of life assurance, and the careful scrutiny and investigation of every proposition put to us is in the hands of officials of long experience in these matters. The control and direction of investment policy is the aspect of our business to which your directors devote the greater part of their time and thought.

The basic criterion which governs our financial policy is that investments must be made in the interests of our policyholders. We cannot ourselves create opportunities for investment; we can only take advantage of such as present themselves. We do seek, however, to maintain a widely spread distribution of investments yielding the highest rates of interest compatible with security to our policyholders. The success we achieve is a major factor in improving the bonus additions to our with profit policies.

Owing to the heavy burden of taxation on private incomes, an increasing proportion of private savings is canalised through the life offices. It is in the national interest that capital should be provided for the expansion and modernisation of the industry of this country. We are ready and anxious to play a full share in the finance of productive enterprise provided it is financially sound. No industry can be the worse for being on sound financial lines. In fact, any undertaking which is not operated on a sound economic basis must prove detrimental to the true national interest.

Our readiness to support productive enterprise is evidenced by our investments in ordinary shares in particular in 1952. These largely arose out of the new issues which were made by important industrial companies. We continued our policy of giving support to such issues, although some of these were made at times when market conditions were difficult, owing to the uncertainties arising from the nation's financial problems.

The great majority of the cases where we provide new finance must have received the approval of the Capital Issues Committee and must therefore be assumed to conform to the national interest. It is important to realise that the Government, through the Capital Issues Committee, exercises a considerable measure of restriction over the purposes for which new money can be raised. Should, however, the Government seek at any time to exercise positive control over the investment of insurance funds, a real danger to policyholders' interests would arise.

Bearing in mind the growth of life insurance funds, it may be asked whether the terms which industrial and other borrowers may be required to accept for the capital they wish to raise will not be unduly onerous. It must be remembered that these funds are distributed amongst approximately 80 offices which compete amongst themselves in seeking suitable investments. The industrial borrower is much better placed in dealing with this number of competing investors than he would be if this large section of the funds available for investment were combined in one State-controlled organisation. The need for life offices to invest their funds is strong and pressing, probably as strong as is the need which industry has for raising money. In these circumstances there is no reason to suppose that the terms negotiated tend to be more favourable to the lender than to the borrower. I assure any who do not know, that the City of London provides an active and competitive market for capital. This competitive market applies whether new capital is issued to the public or placed privately. The borrower is always free to pursue the method which suits him best and he only chooses a private placing if he is satisfied that such a course is to his advantage.

There appears to be a widespread belief that because of the admitted shortage of national savings there must be a lenders' market in the investment world; that too much investment potential must be chasing too little savings. Our own experience as long term investors is rather the reverse. At no time in the last few years have we been in the position of turning away sound offers of investment because of a shortage of funds on our part.

This experience does not necessarily conflict with the fact that savings have been inadequate, as a considerable amount of capital expenditure has been financed out of liquid resources or by short term borrowing by the Government and others. Greater savings are needed not only to keep inflation in check but also to make possible a larger amount of capital expenditure on the expansion and modernisation of industry so necessary to the future prosperity of the country. Our experience does, however, dispel any illusion of a queue of would-be borrowers at our door.

ORDINARY BRANCH

For the year 1952 the directors have declared for with profit policies issued in the United Kingdom (other than group pension policies) a reversionary bonus at the rate of £1 14s. per £100 sum assured—an increase of 4s. per cent over the rate for 1951. In respect of with profit group pension policies a compound reversionary bonus has been added to pensions which have not yet commenced at the rate of £1 10s. pension per £100 deferred pension—an increase of 5s. per cent over the rate for 1951—and the special final bonuses, added when pensions are commenced, are maintained at £9 pension per £100 pension in the case of males and £11 pension per £100 pension in the case of females.

It always gives us pleasure to increase the rates of bonus, particularly when the increases are as substantial as those I have just mentioned. In this tangible way we demonstrate that life assurance is a business in which the consumer shares directly in increased prosperity. I would like here specially to commend to employers our group pension scheme with participation in profits. This Prudential innovation was launched two years ago in the belief that it would prove to be highly advantageous to the public.

This scheme has the fundamental advantage of a sound basic principle which operates in the interests of both the policyholder and the company. It may be insufficiently realised that it is completely adaptable to varying pension requirements. For example, it is equally convenient to arrange a scheme of fixed and guaranteed benefits wherein the profits serve to reduce the cost to the employer as it is to arrange a scheme under which the cost is fixed and the profits augment the pensions. Whichever of these arrangements is adopted, we believe that our scheme is unrivalled as a means of providing pensions through insurance contracts and we welcome all inquiries.

OVERSEAS LIFE BUSINESS

For the twelfth successive year a record volume of new life business was written overseas. The expansion of our overseas life business in recent years has been rapid and new sums assured written overseas in 1952 were more than double those written as recently as 1947. Sums assured, including bonuses, in force overseas now exceed £270 million.

INDUSTRIAL BRANCH

In speaking to you a year ago I had to report an unfavourable mortality experience in this branch for the year 1951, mainly as a result of the severe influenza epidemic in the early part of the year. On this occasion I am glad to be able to tell you that last year the mortality experience was particularly satisfactory. Our nation-wide business in this branch naturally reflects both the stability and the fluctuations in the mortality rates of the population as a whole.

The directors have declared a reversionary bonus in respect of the year 1952 at the rate of £1 8s. per cent on all participating policies. This is an increase of 2s. per cent over the rate for the previous year.

The allocation to policyholders in this branch from last year's surplus was over £7½ million. Since the inception of the profit-sharing scheme 45 years ago these allocations have amounted to over £114 million. The amount of bonus paid on claims by death and maturity in this branch last year represented an average addition of over 19 per cent to the sums assured payable under the policies.

APPORTIONMENT OF PROFITS IN THE LIFE BRANCHES

When the proposals for the revised Articles of Association were submitted to the shareholders in January of last year, your directors informed the shareholders that it was not expected that profits in either branch

would expand sufficiently in the immediate future to permit appreciably more than 90 per cent to be allocated to policyholders and at the same time to enable proper provision to be made for shareholders, but that it was expected that in the course of time some increase in the policyholders' participation would be appropriate.

In the event, we have already been able to announce such an increase. The distributable surpluses for 1952 in both the life branches have been allocated in the proportions of approximately 90.6 per cent for policyholders and 9.4 per cent for shareholders.

GENERAL BRANCH

The underwriting results for 1952 were slightly less favourable than those for the previous year, but the fire, sickness and accident and miscellaneous accounts continued to show satisfactory profits. In the motor account our experience has been satisfactory at home, but has unfortunately again proved adverse in a number of overseas territories. The small reduction in our total underwriting surplus was offset by an increase in our interest earnings and the net surplus, excluding the amount brought forward, has increased from £414,000 for 1951 to £448,000.

Although the severe floods of last February are in the strict sense outside the scope of a review of 1952, there is one aspect on which I would like to comment while the incident is still fresh in our minds. Because of the country-wide spread of our staff, we had representatives in all the affected areas who, notwithstanding personal difficulties, were able to make contact with many of our insured within a few hours of the occurrence. Where necessary these local representatives were reinforced by experts from other areas, and together they gave all help possible in the settlement of claims. We have much evidence that the promptitude with which our staff acted and their willing help in other ways added greatly to the company's reputation.

INSURANCE PUBLICITY

You will, no doubt, have observed that press advertising by the insurance industry collectively is continuing. These advertisements aim primarily at maintaining and enhancing the prestige of British insurance.

For some time we have had a growing realisation of the need for a great collective effort to combat misunderstanding and insufficient knowledge of our business. The only satisfactory background to the extension of our usefulness to the community is a wider understanding of the contribution made by British insurance, in all its branches, both to the national economy and to the welfare of the individual and of industry.

I may perhaps remind you that we as a company also advertise extensively. Our field staff themselves—the actual Men from the Prudential—are our best advertisement, but the printed word has its own valuable part to play in making our service in all its varieties more widely known. I cannot claim that it makes the name of the Prudential more widely known, for that, I am sure, would be impossible.

STAFF

During the past year we have undertaken a careful and detailed review of our field staff organisation in this country. It was becoming clear that the time had arrived when a measure of reorganisation was essential in the interests of the low level of expense at which we strive to conduct our industrial business. The cost of providing home service insurance had risen because of inflationary conditions and of the attendant increases in the remuneration of our staffs in recent years.

Briefly, our plan is to increase the standing and remuneration of our field staff by a redistribution of responsibilities and a reduction in their numbers as vacancies arise. The resultant economies will have important long-term advantages both for the staff and for the company, and will do much to offset the effects of inflation on our expense ratio. I am glad to be able to tell you that negotiations have now been concluded, the plan is beginning to operate, and increases in salary for agents and section superintendents took effect as from May 4th last. Further increases in salary have been promised at successive stages in the development of the plan.

I am sure you will wish me to express our thanks to the management, officers and staff who have ably sustained the standard of the Prudential both at home and overseas.

APPOINTMENTS: The Directors have recently appointed Mr H. Proctor and Mr N. P. Harris to be Agency Managers in Great Britain and Northern Ireland.

RETIREMENT OF DIRECTORS

I must now refer to the changes which have taken place and are to take place in the personnel of the board. Last autumn, Sir George Stuart Robertson indicated that he wished to retire, and Sir Donald Fergusson was appointed in his place. As from today Sir Nigel Davidson and Mr Crump are also to retire from the Board and you will be asked to elect Sir Thomas Barnes and Mr Maurice Petherick to fill the vacancies.

Sir George Stuart Robertson was appointed to the board in 1937 soon after he retired from the offices of Chief Registrar of Friendly Societies and Industrial Assurance Commissioner. Sir Nigel Davidson came to the company in 1936 after a distinguished legal career in the Near East, where he had held a number of important appointments including that of Legal Secretary to the Sudan Government. Both were valuable and agreeable colleagues and the board is exceedingly sorry to lose their services.

Mr Crump has given a lifetime of service to the company. He joined us in 1895 as a junior clerk and was early transferred to the investment department. He was appointed assistant secretary in 1925 and joint secretary in 1931. His appointment to the board on his retirement from that post in December, 1942, has enabled the company to retain the advantage of his great experience in all matters pertaining to investments. Mr Crump's decision not to offer himself for re-election is due to a severe illness. His retirement will be regretted not only by his fellow directors but by all those members of the staff with whom he has been personally associated both at work and at play.

REVIEW

And now, although I draw to the end of my speech, I must detain you a little longer to make a personal statement.

I am now entering upon my eightieth year. I have therefore decided to resign my chairmanship and my membership of this board as from tomorrow. Today will, therefore, be the last occasion on which I shall address you as your chairman and I should like to give in a few sentences an account of my stewardship.

I succeeded the late Sir Edgar Horne after his death in September, 1941, in one of the darkest periods of the World War.

During the war, with minor exceptions, we met war claims in full on pre-war policies: we declared only mortuary bonuses: nearly the whole of our investment was in support of Government loans. However, at the end of the war we were able to declare retrospective reversionary bonuses in respect of the war years.

When, in 1948, the National Insurance Scheme was introduced we lost the Approved Societies. Our own loss was not financial, but, besides occasioning us difficult problems of reorganisation of our field staff, the abolition of our Approved Societies deprived the members of a valued home service for their health insurance.

A much more serious threat came in 1949 and subsequent years with the Socialist proposals to nationalise, or as it was later called to mutualise, our industry. These proposals were accompanied by distorted and unfounded attacks by some of our critics—a painful experience to anyone who, like myself, had intimate knowledge of the care we devote to the interests of policyholders. The danger was averted, temporarily at least, by the vigorous steps taken at that time by the whole industrial assurance industry.

Last year there came the alteration in our Articles of Association whereby we further increased the participation of policyholders in the company's profits. This was another and a major step in our tradition of advancing the interests of our policyholders.

A few figures will give you some idea of the growth of the company's business during my chairmanship. Our assets at the end of 1941 were £375 million and at the end of 1952 were nearly £665 million. Our income from all sources was £56 million and is now £120 million. In some directions our expansion has been particularly striking. The premium income of our General Branch has grown from £2½ million to £11 million and that of our group pension business from £1½ million to £7½ million. In our overseas branches the combined Life and General premium income has grown from less than £3 million to £15 million.

You must not think that I am claiming for myself an undue share of credit for the expansion of our business. This has only been achieved by the combined efforts of the very large number of Prudential men and women all over the globe, but as you would be entitled to blame me for any failures, so I can hope to share, however little deserving myself, in some of the credit. These have been exciting, critical and I hope decisive years in the company's history. Although its size may always render it a tempting target for attack, the quality of the service it renders will prove its best defence, and I hope that it will be increasingly recognised as a bulwark of our national economy. I feel I am handing on to my successors a company whose achievements are not only to be measured by size and strength; it also retains the vigour and adaptability to changing conditions which are our best hopes for the years to come.

I must end these remarks with an expression of my gratitude to all who have served the Prudential during my time, not least to you shareholders who have invariably supported proposals from this platform. Next I must thank the great body of Prudential workers to whom I have already alluded. Finally, I thank my colleagues on the board of directors.

In proposing a vote of thanks, the deputy-chairman, Mr E. J. W. Borrajo, said that the news of the chairman's retirement would be received with general feelings of regret.

He paid tribute to the distinction with which Sir George had occupied the chair during one of the most memorable and progressive periods of the company's history.

He concluded by expressing, on behalf of the company, appreciation and grateful thanks to the chairman for the valuable services he had rendered over many years.

At a meeting of the board which took place after the annual general meeting the directors elected Sir Frank William Morgan, MC, to be chairman.

THE BRISTOL AEROPLANE COMPANY, LIMITED

RECORD POSTWAR GROUP SALES

AIR TRANSPORT A STAPLE NECESSITY

"ONLY AT THE BEGINNING OF MAJOR DEVELOPMENTS"

SIR WILLIAM VERDON SMITH ON THE FUTURE AND ITS PROBLEMS

The forty-third annual general meeting of The Bristol Aeroplane Company, Limited, was held on May 21st at Filton House, Filton, Bristol.

Mr W. R. Verdon Smith, MA, BCL, presided in the absence of the chairman, Sir William G. Verdon Smith, CBE.

The following is the chairman's speech.

The chairman said: Ladies and Gentlemen,—The report of the directors and the annual accounts for the year ended December 31, 1952, have been circulated and, with your permission, I will take them as read.

BOARD CHANGES

As you will have seen from the report, two additions have been made to the board since we last met. At the beginning of this year Mr W. Masterton and Dr S. G. Hooker became directors. Mr Masterton, who joined the company in 1939 and who has been secretary of the company since the beginning of 1947, has for many years played a leading part in the management of our financial affairs, and we are confident that his appointment as financial director will be of the greatest value to the company. Dr Hooker, the chief engineer of our engine division, will bring to the board invaluable technical knowledge, and we have welcomed both Mr Masterton and Dr Hooker most warmly to our number. Mr J. F. Harper, previously chief accountant, has succeeded Mr Masterton as secretary of the company.

ACCOUNTS

In dealing with the accounts today, I shall refer mainly to the consolidated accounts which cover the combined trading results and financial position both of the parent company and of our expanding group of subsidiary companies at home and abroad. These consolidated accounts now include a full year's operation of our newly formed Australian subsidiary and also of Bristol Aeroplane Engines (Eastern) Limited in Canada.

PROFIT AND LOSS ACCOUNT

All our subsidiary companies have traded profitably and sales of the group reached a higher level in 1952 than in any year since the war. The consolidated profit and loss account shows that the trading profit less depreciation for the year amounted to £1,455,631, an increase of £105,686 over the 1951 figure.

There is no exceptional item of income corresponding with the award of £125,000 for the use of designs which was credited in the 1951 accounts. The charge for taxation at £922,921 compares with £941,455 in the previous year and, after the inclusion of miscellaneous items of income and expenditure, there remains a net profit of £563,829 against a corresponding figure of £566,573 in 1951.

The taxation charge of £922,921 reflects the recent reduction in the standard rate of United Kingdom income tax but this relief is counterbalanced by the sum of £50,000 which we have provided for excess profits levy. As a result the proportion of our profits absorbed by taxation is, at 62 per cent, almost exactly the same as in the previous year.

BALANCE SHEET

The consolidated balance sheet shows several significant changes compared with a year ago. The net value of fixed assets has increased by £1,329,528 to £5,232,755 and outstanding contracts for capital expenditure amounted to £1,579,250, reflecting the continued heavy capital expenditure which we are incurring in order to be properly equipped to deal with the programmes to which we are committed.

At the same time stocks have increased by £3,206,603 to £9,354,835 and debtors are up from £3,207,610 to £4,947,235. These increases reflect both the growth of our output during 1952 and the expectation of further growth in 1953 and later years.

As a result cash balances and tax reserve certificates have fallen from £3,381,791 to £740,258, and there is a bank overdraft of £682,120 compared with nothing under this heading at the end of 1951. You will also note that we have raised in Canada during the year a sum of $1,200,000 (£449,754) on 5 per cent mortgage bonds in order to finance the construction of a new factory in Montreal.

It is to be expected that obligations under our expanding manufacturing programmes will involve a high and increasing level of investment both in fixed assets and working capital, and we expect our indebtedness to our bankers to be considerably greater in the future than it was at the end of 1952. Your board have the position under constant review but the present is not in their opinion an appropriate stage at which to seek additional permanent capital.

APPROPRIATION OF PROFIT

It is against this general background that your board have had to consider the appropriation of profits. They have decided to transfer the sum of £249,914 to general reserve, bringing the total at the credit of that account to £2,750,000.

You will see from the report that we are recommending a final dividend of 6½ per cent on the ordinary capital of £4,620,000 which, with the interim dividend of 5 per cent on the old capital of £3,300,000, makes the total dividend for the year the equivalent of approximately 10 per cent on £4,620,000.

The gross sum of £459,525 to be distributed as dividend in respect of 1952 compares with an amount of £445,500, representing the total dividend paid in respect of 1951. When making these comparisons it should be noted that the 660,000 5 per cent preference shares distributed by way of bonus issue to the ordinary stockholders on January 1, 1953, will be entitled to a gross distribution of £33,000 per annum from 1953 onwards.

REVIEW OF THE COMPANY'S ACTIVITIES

In the years since the war we have been concentrating largely upon transport aircraft and their engines, since it is clear that adequate and efficient air transport is a staple necessity of our country in peace and war alike. We are only at the beginning of the major developments to which we look forward but we are already reaping the fruit of our endeavours as you will readily observe by reference to our several projects.

THE BRITANNIA AIRLINER

Since our meeting last year the Bristol Britannia has made its first public appearance, the prototype having first flown on August 16, 1952, and having been exhibited at the SBAC Flying Display in the following month. All who saw her flying were greatly impressed by her attractive lines and her quietness: the progress of flight development justifies our belief that in Britannia we have obtained the qualities of economy, range, payload, and performance, which were the criteria of the specification which we evolved in co-operation with BOAC and with the support and assistance of the Ministry of Supply. The widespread interest which is being shown by the leading airlines of the world has already caused us to arrange a 40 per cent increase in the rate of production from our Filton Works.

Further evidence of the confidence felt in and importance attached to Britannia may be found in the "super priority" classification accorded by the Government early this year to its production. The assembly line is now taking visible shape, and we are planning to make our first deliveries to BOAC for flight development work in the autumn of 1954, followed by certification and use on their trunk routes in two years' time. Orders have also been placed by other airlines, and more are in course of negotiation.

THE PROTEUS TURBO-PROP ENGINE

As so often in the aviation field, the possibilities of developing an aircraft of inherently sound characteristics turn on engine capabilities, and in this respect we have had a most encouraging year's progress with the Proteus turbo-prop engine. In the last two years extensive experience with turbo-props has been gained by practical achievement on the test bench and in the air, our test equipment has been vastly augmented, and a policy of concentration on the development of the Proteus III—an extensive redesign of the earlier Proteus II—has yielded brilliant results.

Not only has the first phase of Proteus III development been successfully realised in the Proteus 705 now going into production, but we are already well forward with the second phase of development with the series 750 from which we are obtaining substantially increased power. On the strength of the Proteus 750 we have been able to announce a new series of Britannia aircraft possessing further noteworthy increases in payload, range and speed. The new series includes a freighter version—Mark 200, a larger passenger version—Mark 300, and a mixed passenger and freight version—Mark 250.

FUTURE OF TURBO-PROP ENGINES

These developments of the Proteus have a further significance beyond securing the immediate, and so far unparalleled, performance of Britannia. They are practical evidence that the far-reaching merits of the

turbo-prop engine can in fact be realised. It is plain that many airline operators who have been ready enough to admit the many theoretical advantages of turbo-props over turbo-jets have hitherto regretfully dismissed turbo-props as only "paper" engines, but recently the picture has changed dramatically, and the progress of Proteus development is being eagerly watched by operators all over the world. And our turbo-prop developments certainly do not end with the Proteus 750.

We are ourselves fully convinced that the turbo-prop, while retaining its economic supremacy by a wide margin, will soon be capable of providing long-distance air travel at speeds of the same order as are likely to be practicable with turbo-jets in normal airline operations.

FREIGHTERS

Production of the Bristol Freighter, with its two Bristol Hercules piston engines, goes steadily on, the rate of output having in fact been doubled during the year: valuable orders have been secured in recent months from old and new customers, notable among the latter being Trans Canada Airlines.

A new version with extended fuselage has been introduced to meet the special requirement of Silver City Airways for their cross-Channel car ferry service. New possibilities for the use of these versatile aircraft constantly present themselves and we look forward to continued sales for some time to come.

HELICOPTERS

Stockholders will be aware that for short-range operations—that is, under 300 miles—we have for several years now concentrated our attention upon helicopters. It will be recalled that our "Rotor-coach," the twin-engined, twin-rotor Bristol Type 173, made its first public appearance at the 1952 SBAC Flying Display. The Type 173 created a big and favourable impression, and has resulted in many interested enquiries. Its development is now proceeding. Meanwhile, the Bristol 171 five-seater single rotor helicopter—already familiar in Service roles as the Bristol Sycamore—will be appearing this summer in BEA colours on their London-Birmingham service, while our collaboration with BEA has also extended to the submission of design studies for much larger craft.

Development of the helicopter demands an effort which is by no means negligible and ultimate success requires the support of the services on a substantial scale. It is commonly accepted that helicopters possess unique advantages, both in peace and in war. This being so, it is unsound to depend too much upon other countries for such essential equipment when it is in our own interest as a nation to depend upon ourselves. In view of the excellent impression which the Bristol Sycamore has created wherever it has been used, we hope to see wider recognition accorded to British-designed equipment in the placing of future orders.

THE OLYMPUS TURBO-JET ENGINE

Our engine division has been making extremely good progress with the development and early production stages of the Bristol Olympus two-spool turbo-jet engine, which is currently one of the most economical as well as the most powerful aero-engine known to be flying anywhere in the world today. Evidence of the capabilities of the Olympus has just been provided by the world's altitude record of 63,668 feet, accomplished on Monday, May 4, 1953, by Wing-Commander Walter Gibb, our assistant chief test pilot, in the English Electric Canberra aircraft, with which we first demonstrated the Olympus at the last SBAC Flying Display. Stockholders will, I am sure, join with me in extending warm congratulations to Wing-Commander Gibb and all those concerned in regaining this important record. Wing-Commander Gibb's success recalls a previous altitude record gained for Bristol 21 years ago by Mr C. F. Uwins.

The Olympus engine—the first British two-spool turbo-jet—promises to be the first of a classic series which will have a long and important future: it will power the Avro Vulcan Delta-wing bomber, and thus make a major contribution to the striking power of the Royal Air Force; its development to considerably higher thrusts than those so far disclosed is, of course, proceeding at high pressure; its use and application will, we believe, extend further and further both in this country and, through our licensees, the Wright Aeronautical Corporation, in the United States of America.

GUIDED WEAPONS

Both aircraft and engine divisions have made encouraging advances in our important guided weapon programmes, and progress to date has amply justified your board's decision in 1948 to engage in this type of work, provision for which has absorbed a large part of our recent outlays on buildings and plant. At home, the scale of our effort has greatly increased during the year, whilst overseas the stage was recently reached at which we took possession of premises at Salisbury in South Australia as the base for trials at the Long Range Weapons Establishment situated at Woomera.

MOTOR CARS

The Car Division continues to progress. No doubt you have seen in the press the recent announcement of our new model known as the Bristol 403. I am glad to report that this car has been well received both at home and abroad. In the autumn of last year your company announced its intention of engaging to a limited extent in racing the 2-litre car during 1953. It is our opinion that the experience gained will prove an invaluable addition to the research and development programme already in hand.

I cannot leave the motor-car side of our interests without mention of the Chancellor's action in reducing purchase tax. While this is a welcome relief to the industry as a whole, I must remind you that even at the new rate of 50 per cent we are still carrying a heavy burden.

OTHER ACTIVITIES

In addition to the great projects to which I have already referred, we continue in the aviation field to produce the Bristol Centaurus and Hercules piston engines and to contribute to the Defence Programme one of the production lines of Avon turbo-jets; we have a large programme of aero-engine overhauls and by repairing Sabre fighters and their J.47 engines we are assisting the Royal Canadian Air Force in their admirable Nato task on behalf of the defence of Western Europe. In the armament field we have a substantial programme for each of the Services, equipping Bofors guns with Bristol control mechanisms and carrying out a number of other interesting projects.

Our subsidiary company at Weston-super-Mare had a successful year with its aluminium buildings both at home and abroad and, although the future for these buildings is likely to be affected by credit restrictions, especially in Australia and by the present cost of aluminium, the reputation of our school and hospital buildings continues to bring in new and repeat orders, whilst the activity of the plant has been increased by aircraft sub-contracts and other important Government contract work.

ROTOL'S EXPANSION

During the year our associated company, Rotol Limited, continued to expand its works to meet growing programmes for aircraft and engine accessories; the demand for Rotol propellers was sustained at a useful level despite the growing use of turbo-jet engines, and Rotol, by acquiring the remainder of the share capital of British Messier Limited, became wholly responsible for that vigorous and enterprising company's growing volume of work in the field of landing gear and aircraft hydraulics.

I cannot leave this review without referring to the recent termination of one of the company's earliest activities. On March 31, 1953, as a result of the Air Ministry's policy decision affecting many Flying Schools run on a civilian contract basis, our Flying School at Filton ceased operations after 30 years of continuous and successful work. We started training pilots before the first World War, and the Bristol schools at Larkhill and Brooklands are still remembered with affectionate regard by those who years ago learnt their flying with "Bristols." From 1923 onwards the Filton School carried on that tradition and its disappearance is a matter of regret to us all.

OVERSEAS BRANCHES

Canada: The Bristol Aeroplane Company of Canada Limited has had an extremely active year of development: aircraft exports to Canada were encouraging and our two-engine-overhaul companies expanded their turnover satisfactorily. During the year we started to build a new and up-to-date engine overhaul plant for our Eastern company; excellent progress has been made by the contractors and we have already started to occupy the plant, which will be brought into full use during the next three months. We look forward to progressive expansion of our activities in Canada.

Australia: In Australia, the newly established Bristol Aeroplane Company (Australia) Proprietary Limited has made an effective start in the development of Bristol activities in that important continent. I have already mentioned our guided weapon work at Salisbury in South Australia. In addition, as a result of further steps now being taken to consolidate aircraft and engine overhaul facilities in the Sydney area we shall be in a good position to support our aircraft products with first-class after-sales service. During the past year Bristol Sycamore helicopters went into service with the Royal Australian Navy—the latest of many links between our company and Australia stretching back to "Box-Kite" days.

Europe: Our associated company in France, SECA, continues to develop on sound lines, and parallel developments now taking place in Spain are designed to support and maintain the increasing amount of Bristol equipment in service in that country.

PROSPECTS AND PROBLEMS

You will probably agree that the picture we have presented to you today is impressive both in achievement and in prospect. Orders on hand and in negotiation: developments and expansion schemes now being or about to be initiated: longer term projects on which we are working with great confidence—all these promise a colourful future for your company. But the scale of the effort which we are making is not without hazards and problems and it is right that you should be reminded of them too.

First there is the problem of continuing

to provide the technical resources requisite for success. This is primarily a matter of money. To be internationally competitive in the aircraft industry—and it is to be hoped that our would-be nationalisers will realise that this is no sheltered "service" industry but one in which hard international competition is a dominant factor—a large company must nowadays spend a million pounds or more each year on research and development equipment alone. We need to set aside large sums to provide, for example, for engine testing in altitude conditions, for improving our knowledge of the aerodynamics of supersonic speeds, for obtaining additional development and testing of new materials and new structures, and for countless other urgent developments.

Continuing expenditure on this scale is vitally necessary if the aircraft industry in this country is to maintain the advantageous position which it has now reached as a result of the courageous and intensive research and experimental work which it has carried out in the past. Much is said, and rightly, of the technical supremacy of British engineers, but they cannot work without the best obtainable tools and resources. This is possible only if companies are allowed to retain from profits a sufficient sum after taxation to provide the funds required to meet such expenditure, which is recurring and does not by itself directly yield higher production and higher earnings.

TAXATION

Nor are the resources for research and development our only major outlay. The changing character of aircraft and aero engines requires even larger and more complex manufacturing plant, whilst the need to range ever more widely round the world in our export effort necessarily increases selling, servicing and administrative expenses, and adds further demands to working capital. It must be a matter of anxiety to all that the high level of taxation, continuing year after year, should have deprived industry of so much of its earnings.

The recent Budget concessions are welcome, but even more important is the spirit which has prompted them, for relief is needed yet—with the emphasis on incentive for industrial re-equipment—in order that the British aircraft industry may not only retain the competitive position vital to our survival, but may also forge ahead to the high achievements which we know to be possible within the next decade.

MANPOWER

A further problem is skilled manpower. We have used every fair and reasonable means at our disposal both to increase the number of our skilled men and to open a wider range of jobs to the semi-skilled. To bring men to the work local authorities have assisted us with housing schemes for key workers: to bring the work to the men we have opened two factories in Sunderland and we have recruited there a valuable group of skilled men whose output is supplementing the Patchway Works of our engine division. To bring in younger skilled men we have increased the number of our trade apprentices. Each of these measures is getting results slowly—and it is no small factor that the work itself is some of the most interesting and worthwhile in the whole of engineering—but the increase in numbers is far too slow.

This search for skilled men of course is only part of a national problem. We live by our skill—not merely by "increased productivity"—and we do not have enough of it. Employers and employed alike, each individual one of us, has a responsibility to raise the proportion of skill in our factories far higher than it is today. With this in mind your board are doing all they can to strengthen and improve our recruitment and training programmes: in particular we have started building the new Apprentices Training School to which I referred in my address to stockholders last year.

In this connection it is gratifying to report that the last few years have seen a steady rise in the standards, scholastic and general, of our trade and engineering entrants—a vital factor since we rely for skilled men to an ever increasing extent upon our own training schemes.

RISING COSTS

No review of prospects and problems in this industry today would be complete without reference to the anxiety which we, like so many others, feel regarding the rising costs of production. Whether it is the basic rates of pay in the engineering industry itself (let us hope that wiser counsels will prevail over those who are so determined to press another unrealistic claim), or the ever rising costs of the services upon which we depend, the engineering industry cannot in the competitive markets of today earn a major share of the country's bread and butter if costs are constantly forced higher and higher. The time has come for much wider realisation of this fact and for the exercise of the restraint which common sense demands.

Each of these matters—the availability of technical resources and of plant, the search for skill and the need for stability in the costs of production—is a familiar theme. But each is vital to achievement and none can be too often stressed. We have a great task ahead, and there are many risks inherent in it, but we also have a great opportunity. I hope, and indeed I believe, that we shall be worthy of the trust which has been placed in us.

TRIBUTE TO EMPLOYEES

It is my custom to conclude with an expression of thanks to our employees for the willing and enthusiastic service which is so vital in bringing success to the company. I do on your behalf express those thanks—not just to all for the work they are paid to do, but more particularly to those—and I am glad to say they are many—both on the staff and in the works who really care about the achievements of the company and who will always put out on its behalf that last ounce of effort that is the secret of success. We try to see that they get their material rewards. We hope they also know that the company is as proud of them as I believe they are of the company.

The report and accounts were unanimously adopted; the proposed dividend was approved and the retiring directors, Sir G. Stanley White, Bt, Mr C. F. Uwins, OBE, AFC, FRAeS, Mr Brian Davidson, Mr William Masterton, CA, and Mr S. G. Hooker, OBE, DPh, DIC, FRAeS, were re-elected.

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

BEYER, PEACOCK AND COMPANY

(Locomotive Builders and General Engineers)

RECORD ORDER BOOKS

The annual general meeting of Beyer, Peacock and Company, Limited, was held on May 20th in London, Mr Harold Wilmot, CBE (chairman and managing director), presiding.

The following is an extract from his circulated review:

The consolidated balance sheet shows a liquid balance of £1,191,676, as compared with £1,099,171 at the end of the previous year. It will be observed that revenue reserves, which at December 31, 1951, were £1,045,239, have increased to £1,176,322.

The group profit and loss account for 1952 shows a profit of £448,364 before tax. This is a reduction of £56,374 gross, as compared with the previous year. It will be remembered that in reviewing the accounts for 1951 it was stated that steel supplies in the first quarter of 1952 were disappointing, but had subsequently improved. This improvement was maintained during the year and rationing of steel is expected to end in the near future.

In view of the disappointing conditions in the early months of 1952 the results for the year may be regarded as satisfactory. Provided there is no deterioration of essential conditions it is reasonable to expect better results for 1953 and, indeed, the profit budget for the current year indicates a modest improvement. It is gratifying again to report group order books at record high levels.

ADDITION TO GROWING RANGE OF PRODUCTS

In the summer of 1952 all the shares of Fyna Industries, Limited, were purchased by our subsidiary company, Richard Garrett Engineering Works, Limited, out of its own liquid resources. Fyna Industries, Limited, are well known for their range of hammer mills (agricultural and industrial) and protein extractors. It is the opinion of your directors that we have secured an eminently suitable addition to the growing range of products of our group. The operations of Denings of Chard, Limited, the assets of which were purchased from receivership at the end of 1951, were hampered in the early part of 1952 by steel rationing and also by the necessity for the rehabilitation of the name of the company with local sentiment, with suppliers of materials, and with buyers. Under all the circumstances it is satisfactory to record that the reorganisation and rehabilitation of the company were accomplished in 1952 without loss. Production at Chard is being stepped up as fast as balanced supplies can be procured. Progress so far in 1953 may be regarded as satisfactory. During the summer of 1952 a further small factory (Anchor Works) at Deal was acquired. It is now being tooled for special production and full output should be achieved by the end of this year. Our associated company, Metropolitan-Vickers—Beyer, Peacock Limited, operated throughout 1952 mainly on electric locomotives for Brazil, and made a reasonable profit.

It is the intention of the board to seek your approval of a resolution to increase the authorised capital of the company from its present level of £1,300,000 to £2 million. The necessity for ample liquid resources is obvious. During recent years considerable expansion has been undertaken. The cost of consolidation and development is not yet at an end, and further expansion may well be found desirable. Some new machinery is needed to improve productive processes at Leiston and Chard, as well as at the locomotive factory at Gorton. Stocks of materials and work in progress must be carried at prices which are much in excess, volume for volume, of what they were some years ago. An increase of the authorised capital in terms of the resolution will enable the board to take such steps as may be considered necessary to increase the issued capital of the company should occasion so require.

The report and accounts were adopted and the proposed final dividend of 3½ per cent, plus a bonus of 4½ per cent, making 12 per cent, less tax, for the year, were approved, and the proposed increase of capital was sanctioned.

SUN INSURANCE OFFICE

EXCELLENT RESULTS

MR C. G. RANDOLPH'S STATEMENT

The chairman opened his statement to the shareholders by a few words by way of appreciation of the high value of the services rendered to the Office by Mr W. M. Pryor, DSO, DL, during his nine years in the chair, following twenty years as vice-chairman. He referred with deep regret to the death of their director, Commander Sir Robert Micklem, CBE, RN, and to the further loss by death of a number of loyal friends who had served the Office as members of local boards or advisory committees, mentioning particularly Sir Montague Burton, LLD, FRSA, a member of the Yorkshire board, Mr James Wilson, OBE, a member of the Canadian advisory committee, and Mr F. J. Smith, of the West End board.

Premium income had again advanced as would be seen from the figures given below:

	1952	1951
	£	£
Fire	6,762,364	6,445,516
Accident ...	7,138,669	6,465,686
Marine	1,548,648	1,345,600
	£15,449,681	£14,256,802

FIRE BUSINESS

Much of the year's increase in premium income, amounting altogether to £316,848, came from connections overseas. In the USA there was, however, some recession. The claims experience was again good, although showing an upward trend, at 42.83 per cent of the premiums, compared with 40.72 per cent last year.

The unprecedented disaster on the eastern sea-board of this country, with its counterpart in Holland and Belgium, on January 31-February 1, 1953, was still too recent to be able to assess fully the resulting loss, but the Office had dealt with 1,500 claims. The figures naturally did not appear in the accounts, but it was bound to have a marked effect upon the total fire and accident transactions for 1953.

As a result of the transactions of the year, there remained a margin of profit of £864,677—again a record for the Office—and all sections of the fire organisation helped to secure this satisfactory achievement.

ACCIDENT ACCOUNT

Premium income in the accident account was buoyant, with an increase of £672,983 over the total for 1951. A large part of this was directly traceable to the application of higher motor insurance rates. Although this had had a material influence in checking the adverse experience in this section of the business, results were not yet by any means satisfactory. Employers' liability insurance results in this country, although somewhat improved, were still substantially adverse, notwithstanding an increase in rates.

In other sections of the accident business the outcome of the year's trading had been eminently satisfactory. The aggregate accident profit amounted to £217,094, or 3.04 per cent.

MARINE ACCOUNT

Marine premiums advanced by £203,048 to £1,548,648. Claims paid had risen from £933,554 to £1,058,720. The outlook in regard to hull settlements being so obscure, it had been felt wiser to make no transfer this year to the profit and loss account, and the fund at the end of the year stood at £2,136,739, representing 137.97 per cent of the year's income.

PROFIT AND LOSS ACCOUNT

The transfers from the two Revenue accounts totalled £1,081,771. Interest dividends and rents, less income tax, increased to £404,173. The total cost of taxation in 1952 amounted to over £1,300,000. Overseas taxes accounted for £568,923, of which only £85,710 appeared in the profit and loss account, as it was the practice of the office to charge overseas taxes to the individual revenue accounts, except in so far as they related to interest. United Kingdom taxation, inclusive of taxes on interest, absorbed more than £745,000. Contributions to the staff pension fund and the staff widows' and orphans' fund together called for £225,591.

There had been definite indications for some time that a number of currencies, if not already falling, were showing a tendency to fall in value in terms of sterling. The directors had, therefore transferred £150,000 to the Foreign Exchange account against this contingency.

An interim dividend of £136,500 had already been paid, representing 2s. 2d. per share, less tax, and the directors now declared a final dividend of 2s. 10d. per share, less tax, at a cost of £187,000. The book value of the investments amounted to £17,166,339, an increase of £1,352,575. The market value of these investments in the aggregate was substantially higher.

The chairman concluded the statement by extending thanks to all staff at home and overseas, and to the advisory committees, local directors and other representatives throughout the world, for the splendid way in which they had contributed to the very satisfactory accounts now before the shareholders.

EQUITABLE LIFE ASSURANCE

RECORD NEW BUSINESS

Sir William Elderton, the President, was in the chair at the one hundred and ninety-first annual general meeting of the Equitable Life Assurance Society held on May 20th in London. The following are extracts from his speech:

New business is once again a record for the Society. New assurances for £4,600,000 were written in 1952, an increase of about £100,000 over the figure for the previous year.

I may mention that we have introduced a new type of contract called the "personal pension policy" which should appeal to those wishing to provide for their retirement; also we have been able to reduce our rates of premium for term assurances and "family income" policies. Claims by death at £419,000 were nearly £75,000 higher than in the previous year; nevertheless the cost is at present running at less than two-thirds of what would be expected from the tables of mortality used. The funds are now little short of £25 millions. The Stock Exchange securities are carried in the balance sheet at middle market prices on December 31, 1951 (the date of the last valuation) or at or under purchase price if bought since that date. Their market value on December 31, 1952, was £400,000 lower but the value of the assets as a whole was in excess of the value at which they stand in the books. Our subsidiary companies continue to prosper. The rate of interest earned by the funds shows some improvement at £4 18s. 4d. per cent before, and £3 19s. 8d. per cent after, deduction of tax. The ratio of expenses to premiums fell to 6.3 per cent. This is the first occasion on which the Society's total premium revenue has exceeded £2 millions.

THE LONDON ASSURANCE

MR R. OLAF HAMBRO ON YEAR OF FURTHER PROGRESS

The annual general court of The London Assurance will be held on June 10th in London.

The following is an extract from the statement circulated by the governor, Mr R. Olaf Hambro:

Once again it is my pleasure to report a substantial increase in the aggregate volume of our business, the premium income for the year from all sources having amounted to £17,714,000 as against £16,269,000 for 1951. The year 1952 saw a marked check to the inflationary trend which has prevailed since the end of the war, and it is fair to say that the increased revenues earned during the year reflect genuine expansion and consolidation of the progress made during previous years.

Of the individual accounts, the fire account remains much the largest, with a total income of £7,797,000 as compared with £7,298,000 for the previous year. The profit of £538,399, or 6.9 per cent of the premium income is not quite so good as that for the previous year, which amounted to £541,722, or 7.4 per cent.

In the accident account, there has again been a large increase in income, the figure being £4,452,000 as against £3,718,000 for 1951. For 1952 the accident account as a whole again shows only a modest profit, the amount available for transfer being £105,096, or 2.4 per cent of the premium income.

Marine Account: With premiums virtually unchanged at £3,597,000, claims paid have risen by no less than £300,000 showing a percentage of over 70 per cent as against 63 per cent for the previous year. The amount transferred to profit and loss account is £250,000. After making this transfer, the balance remaining in the fund at the end of the year will amount to over £5 million or 139.7 per cent of the premium for the year. We have been able to transfer £250,000 from the marine account to the profit and loss account, while at the same time strengthening the fund by more than 10 per cent.

Turning now to the profit and loss account. The net result for the year is a profit of £767,000, as against £560,000 for 1951, of which £487,000 is dealt with in the accounts of the London Assurance, and £280,000 retained by the subsidiaries. The directors propose to make a total distribution of 12s. 6d. per share on the ordinary capital as compared with 10s. last year.

LIFE DEPARTMENT'S EXCELLENT YEAR

I will now turn to the life account, in respect of which I am glad to be able once more to report an excellent year, the new business written having again exceeded all our previous records. For 1952 the total sums assured written during the year amounted to £6,048,000 as against £6,024,000 for the previous year, and the total premiums for the year showed a substantial increase at £1,845,000 as against £1,708,000. Interest earnings again showed a satisfactory improvement, the net income being £583,000, which represented a gross rate of interest of £4 11s. 7d. against £4 10s. 11d. for 1951, and a net rate of £3 8s. 3d. against £3 7s. The fund at the end of the year, at £17,894,000, shows the very substantial increase of over £1 million as compared with last year.

The balance sheet shows that in the aggregate, after bringing into account the life funds, our assets amount to the very substantial total of £45,574,000.

NEWTON, CHAMBERS AND COMPANY

ALL-ROUND INCREASE IN TURNOVER

SIR SAMUEL ROBERTS ON THE CONTINUED PROGRESS

The ordinary general meeting of Newton, Chambers and Company, Limited, was held on May 14th at the Royal Victoria Hotel, Sheffield, Sir Samuel Roberts, Bt (the chairman), presiding.

The secretary (Mr R. J. V. Wheeler, TD) read the notice convening the meeting and the report of the auditors.

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

The gross profit for the year was £671,973, compared with £577,292 for the previous year: the net profit, £152,696, comparing with £201,992. This substantial reduction in the profits available for distribution is due to greatly increased tax liabilities and a higher reserve for the replacement of fixed assets.

While profits before deduction of depreciation, etc., were £126,909 greater than the previous year, taxation was £143,977 higher—that is, £17,068 more than the increase in profit.

The amount added to the replacement of fixed assets reserve has been increased from £67,773 to £95,390 and accounts for £27,617: this, unlike ordinary depreciation, is not allowed as a deduction from taxable profits, resulting in both income tax and excess profits levy being chargeable thereon.

This reserve, as in the past, has been deducted from the gross profit as I think it is more realistic to show it in this way. While it emphasises the inadequacy of the present wear and tear allowances permitted by the taxation authorities, the final results would have been exactly the same had the amount of £95,390 been transferred from the profit and loss account balance.

Taxation liability for the year increased by £143,977 (from £375,300 to £519,277), due to the excess profits levy—now, I am glad to say, withdrawn as from the end of December next—and taxes on the amount put to the replacement of assets reserve already alluded to, the result being that of the net profits, before taxation, of £671,973, no less than 77 per cent goes to the Collector of Taxes. In these circumstances it is satisfactory that we can maintain the dividend and increase the carry forward by £45,754. The present Finance Bill will give us considerable relief and encouragement for future efforts.

CURRENT ASSETS

The current assets, at £3,222,742, exceed current liabilities by £1,420,563.

Allocation of Profit: Employees' Profit Share Bonus—Once again the trading results reflect a noteworthy achievement of the management and workpeople of your company. Your directors have, therefore, once more provided in the account an extra week's wages, £27,669 (distributed at Christmas as before), as a profit share bonus for all employees of the company.

Dividend—Your directors recommend a final dividend of 17½ per cent, making 25 per cent for the year, which amounts to a little less than 6 per cent on the capital employed in the business. This dividend will be paid, after deduction of income tax, at the rate of 9s. in the £, in accordance with the Budget proposal.

CAPITAL

The difficulties of agreeing our subsidiary companies' claims to compensation for the nationalised collieries and coke ovens have not yet been overcome, and I cannot yet say when the capital structure of your company can be revised. Your directors, however, feel justified in recommending that a further £50,000 of the reserves shall be capitalised and distributed among shareholders in the proportion of one new share for every 15 now held and the necessary resolutions will be submitted at the meeting.

Still further progress has been made in the re-equipment of our excavator works, and a second mechanised foundry unit in the light castings department is nearing completion. Expenditure on works, plant and machinery during the year is shown in the accounts as £115,992 and included the cost of providing the new college for apprentices and the foundry baths which, you will recall, were opened by the Minister of Labour in April last year.

We were committed to capital expenditure to the value of £152,039 at the date of the accounts, the bulk of which is for increased production facilities at our excavator works.

CHEMICALS DEPARTMENT

Increased sales of Izal, Zalpine and Izal toilet paper, together with the successful introduction of Zalpon, the new soap for use with our patent dispenser, have once again achieved a record turnover in this department. Reductions in the price of paper were immediately passed on to the public in the form of reduced prices for our toilet rolls and packs and we believe that this policy has been appreciated by our distributors and the general public.

The profits for the year were appreciably higher than last year and once again we can congratulate the excellent sales and production teams which, under the direction of Mr P. J. C. Bovill, are making year after year profitable use of the new buildings and equipment which have been provided.

HEAVY CONSTRUCTION DIVISION

The previous records of turnover and profit were both surpassed in 1952 in the face of anxieties and difficulties occasioned throughout the year by shortages, particularly of steel. Despite the increases in national steel production the available supplies of steel plate are still considerably short of industrial requirements. It is, therefore, all the more creditable that these excellent results have been achieved by the combined efforts of managers, foremen and craftsmen under the leadership of the general manager, Mr G. G. Ibbotson.

LIGHT CASTINGS DEPARTMENT

Commendable efforts on the part of Mr F. H. Hoult and his staff have secured a very substantial increase in turnover. The popularity of "Redfyre" stoves and similar products has shown itself in greatly increased sales which have been met by the achievement of higher rates of both production and assembly. An additional mechanised foundry unit is nearing completion in this department which, when in operation, should further reduce the costs and thus increase the overall profit. Although the profit for the year did not quite equal that of the preceding period this was in a large measure due to expenditure on improvements from which the benefit is expected to accrue in succeeding years.

MOBILE ENGINEERING DEPARTMENT

Our excavator business has had a most successful year and both turnover and profit exceeded the results of previous years. Our new 1½-yard machine has been in the field for nearly 12 months and is steadily enhancing our reputation as excavator builders. Substantial progress is being made with the extensions of the works and it is expected that by the end of the year a ¾-yard model will be in production to meet the demand for a smaller machine. A very satisfactory export market is being developed and the general manager, Mr R. J. Palmer, and all associated with him in the works, office and sales organisation have done an excellent year's work.

THORNCLIFFE SERVICES DEPARTMENT

The co-ordination of the headquarters services departments under the general managership of Mr L. Godber has been fully justified and there is no doubt that the reorganisation of these many ancillary activities under a unified control has resulted in greatly improved services being rendered to the production departments.

SUBSIDIARY COMPANIES

Thorncliffe Coal Distillation, Limited, has paid the full preference dividend and the customary ordinary dividend of 1s. per share for the 12 months ended December 31, 1952.

N.C. Thorncliffe, Collieries, Limited, showed a small profit for the year ended December 31, 1952, which has been carried forward in the books of that company.

GENERAL

Mr S. C. Tyrrell, our chief accountant, has this year had the great honour of being elected the national president of the Institute of Cost and Works Accountants.

Mr A. W. Grogan, who has been our efficient and respected secretary for 22 years, retired at the end of March, and we would convey our good wishes to him and his family for a happy retirement.

In his place we have appointed Major R. J. V. Wheeler, TD, a solicitor, as secretary of the company.

During the year our managing director, Sir Harold West, was elected the 315th Master Cutler of the Company of Cutlers in Hallamshire, an ancient and honourable public office traditionally carrying the right to speak for industry in Sheffield and district. After a lapse of 18 years we are thus once more able to entertain at Thorncliffe the guests from all over the country attending the Master Cutler's Feast.

Sir Harold West has also been appointed chairman of the Board of Governors of the Loughborough College of Technology, an institution specialising in engineering technology and management.

We tender our congratulations to Sir Harold on these appointments and wish to thank him for all that he has done in bringing about the excellent results disclosed by the accounts.

We also would desire again to thank our local directors, managers, staff and workpeople for another year of most successful endeavour.

The reports and accounts were adopted and the dividend of 17½ per cent, making 25 per cent, less tax, for the year, was approved.

MANAGING DIRECTOR'S REMARKS

Sir Harold West, managing director, proposing the adoption of the dividend, said it had been a successful and happy year from every point of view including that of the Chancellor of the Exchequer. Those who had been busy "making the thought come true" must have had special satisfaction. One sensed a change of economic atmosphere to which the traditional strength of those firms with a great variety of operation was best able to accommodate itself.

The steel position was difficult, ranging from super abundance of tin plate to shortage of steel plate, but normally such difficulties righted themselves over a reasonable period.

Newton, Chambers tried to provide at least one surprise a year and this year it was the Exhibition, by means of which it was possible to show Thorncliffe to Thorncliffe and of course to the shareholders and guests of the company. Sir Harold added that it had been a strenuous year for himself. He had tried to be a good Master Cutler and hoped that in the process he had become a better managing director.

Major Peter Roberts, MP, seconded, remarking that the company had tried hard to meet the views, as to limitation of dividends for instance, of the Chancellor of the Exchequer, who for his part had certainly been helpful with a reduction of 6d. in the income tax.

Mr L. W. Bickford Smith and Major Peter Roberts, MP, were re-elected directors and Messrs Blackburns, Robson, Coates and Company were re-appointed auditors.

Resolutions were passed increasing the capital of the company from £750,000 to £800,000 by the creation of 50,000 new ordinary shares of £1 each; capitalising £50,000 of the general reserve and distributing same in the proportion of one new share for every 15 held.

INNS & COMPANY

GRATIFYING INCREASE IN TURNOVER

The eighteenth annual general meeting of Inns & Company, Limited, was held on May 15th in London.

Mr Walter Wallace (joint managing director) who presided, said: For the second year in succession it is a privilege of the directors to put before the shareholders accounts constituting all-time records of the company in respect of trading profits and net profits, those for the year under review amounting to £310,184 and £242,690 respectively.

Shareholders will also note with pleasure the directors' recommendation of a bonus of 5 per cent actual on the ordinary shares, being an increase of 2½ per cent over last year's distribution, and making a total net distribution for the year of £50,885, which is another record in the history of the company.

To this I would also like to add that our total turnover shows a very gratifying increase over that of 1951, and that so far this year the business of all departments is running normally.

Taxation lays a particularly heavy hand on this company. For this year the company is liable for excess profits levy in the sum of £30,000, and as liability for this tax will not be taken off until the end of the current year, there is likely to be a large liability under this heading to be included in this current year's accounts. The charge for taxation for the year covered by the accounts amounts to £182,000, which sum is equal to approximately 15s. per £1 on the net profit of £242,690.

In 1935, the first year of this company, for each £1 which the shareholders received in dividends the Exchequer received 8s. 4½d. in taxation. In the year under review shareholders will see that for each £1 they receive in dividends, the Exchequer will be paid £3 10s. in taxation.

Your company also suffers from the injustice that in ascertaining its profits for taxation purposes, no adequate depletion allowance is made in respect of the shrinkage of its capital assets.

Last week it was intimated by the Chancellor of the Exchequer in the House of Commons that for the purposes of the excess profits levy a small measure of relief may be extended to sand and gravel pits. It is regretted that following the evidence given by your directors before the Millard Tucker Committee and the strong and clear recommendations of that Committee's Report, the Chancellor has not granted adequate and proper relief from all forms of national taxation in respect of wasting assets.

The report and accounts were unanimously adopted.

F. PERKINS LIMITED, PETERBOROUGH

(Diesel Engine Manufacturers)

RECORD TURNOVER

MR F. A. PERKINS ON OVERSEAS BUSINESS

The twenty-first annual general meeting of F. Perkins Limited was held on May 11th in London, Mr F. A. Perkins (chairman and managing director) presiding.

The following is an extract from his circulated statement:

In my statement last year, I said that the Iron and Steel Distribution Scheme would curtail our manufacturing activities during 1952. In spite of these difficulties, we were able to expand our turnover to a record figure of £11,374,203 in 1952, an increase of £2,025,219; being 22 per cent over the 1951 figure.

This increase in turnover was obtained without raising our prices above those obtaining in March, 1952, despite the increases in wages, services and commodities which have taken place during the last nine months. The net profit for the year after charging all working expenses and depreciation was £710,433, as compared with £926,875 for the previous year.

As I have said before, it became obvious that our output would suffer seriously owing to the shortage of steel and cast iron components from our suppliers in this country. In order therefore to keep our promises of deliveries with our customers, we were obliged early in 1951 to place orders on the Continent for large quantities of such components, and in particular for crankshafts, for which we are restricted in England to one supplier of finished crankshafts. These continental purchases were at a considerably increased cost, to which had to be added freight and duty. During the year, the extra cost of these components was £256,249, after crediting such duty drawbacks as we were able to obtain.

It will be apparent to you, therefore, that if we had been able to obtain these materials from British sources, our profits would have been as good as in 1951.

For the first six months of this year, at least, we shall still be dependent upon certain components coming from the Continent at increased costs, and as some provision against this, we have made a reserve of £65,000 in the accounts.

The directors recommend a dividend of 15 per cent for the year.

EXPORT TRADE

Our exports have again increased and have reached nearly £8 million, distributed over some 118 countries. Our percentage of exports, as last year, is approximately 70 per cent of our turnover.

1952 has been a year of great progress in the development of the manufacturing capacity of the company. The doubling of our capacity, to finance which the ordinary capital was increased in 1951, is nearly completed. We believe that our equipment and methods of low cost and quantity production of Diesel engines are unequalled by any manufacturer of component Diesel engines anywhere in the world.

The most interesting export order received during the year was the order for $1¼ million from the Canadian Government for 1,355 P6 engines. These engines were for installation in Canadian Ford vehicles for use by the Bombay State Authority in India under the Colombo Aid Plan. With these and other additions the Bombay State fleet of Perkins engined vehicles will shortly exceed 2,500 in number.

At this date it is difficult to forecast 1953 results but our order book stands at the same figure as this time last year. In spite of difficulties, our monthly output is above the average of last year.

OVERSEAS MARKETS

During the year, we have opened new markets where we are doing a satisfactory volume of business in Germany, Italy, Switzerland and Spain.

Germany is of particular interest, because from our enquiries there is no record of a British Diesel engine ever having been sold in Germany, the home of Dr Rudolf Diesel.

During the last few months of this year we have introduced two new Diesel engines. The L4 engine, giving 53 h.p. at 1,800 r.p.m., is specially designed for industrial and agricultural applications. This engine is, at its output, the lowest-priced Diesel engine manufactured anywhere in the world. The second engine is the R6, giving 108 h.p. at 2,700 r.p.m., and produced as an engine to enable trucks and buses carrying a 7-ton load to maintain the high speeds called for in overseas markets.

We have continued with the development of our subsidiary companies in Australia, Canada, France and South Africa. They are proving of great assistance in the sales and service of our engines in those countries.

A great part of the credit for the success of the company is due to our employees of all ranks, both in offices and works. Without co-operation and hard work it would have been impossible to maintain and improve our standard of good craftsmanship in design and production. We believe that men are valuable just in proportion as they are able and willing to work in harmony with their fellow men. We try to do everything in our power, in sickness or in health, to make their lives harmonious, and their association with the company one of which they can be proud.

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

RAND MINES, LIMITED

MR W. H. A. LAWRENCE'S SPEECH

At the fifty-eighth annual general meeting of shareholders, held in Johannesburg on May 15th, Mr W. H. A. Lawrence, the chairman, in the course of his remarks said:

Dividend receipts, which are the chief source of revenue for your company, decreased by £188,304 and, due to this and other variations in items of revenue and expenditure, the profit and loss account balance was lower by £130,612. Reductions of £107,550 in dividends declared for the year and of £54,875 in other appropriations and transfers were responsible for a further increase in the amount added to the unappropriated balance, which stood at £1,878,008 at the end of the year. The net liquid surplus, however, was reduced by £508,703 to £852,196, mainly through the acquisition of a further substantial holding in Harmony Gold Mining Company, Limited, and investments in shares and debentures increased by £446,776 to £6,015,278. The amount written off investments and freehold properties, less a net credit from sales of certain investments, was £211,745. Following our usual practice, this amount was deducted from investment reserve account, which was reduced to £4,747,003. Expenditure on prospecting ventures amounting to £30,468 was debited to exploration reserve, which stood at £316,205 at the end of the year.

GOLD MINING INDUSTRY'S RESULTS

As I have already stated, your company's chief source of revenue arises from dividends received mainly from gold mining companies. The fall in revenue is therefore symptomatic of the deterioration of the financial results of operations of the producing mines of the gold mining industry. The working profits of the industry, excluding additional revenue from sales of gold at enhanced prices, decreased from £44,220,743 in 1951 to £38,791,794 in 1952. The decrease in profits occurred in spite of the higher price for gold resulting from exchange rate fluctuations, the increase in yield and the improvement in the total tonnage milled, and is therefore due entirely to an increase in working costs, which rose by 2s. 4d. per ton milled. Further, the additional revenue from sales of gold at enhanced prices decreased by £2,993,877, and thus the total working profit for 1952 was £8,422,826 lower than for the preceding year. The increase in working costs was in the main due to the higher prices of stores and materials and to increases in cost of living allowances paid to European employees. It is difficult to forecast the future trend of these two important items of costs.

LABOUR PROBLEMS

Another problem of far-reaching importance to the gold mining industry is the shortage of labour which is seriously restricting the tonnage output at the individual mines and therefore tending to reduce revenue and to raise unit working costs. The increase in the industry tonnage milled, to which I have already referred, is due entirely to the advent of four new mines to the production stage shortly before or during 1952. The tonnage milled by the industry mines producing at the beginning of 1951 actually decreased by 211,300 tons in 1952. The labour requirements of the industry are increasing rapidly as the many new mines in the Free State, Klerksdorp and Far West Rand areas approach and reach the production stage. For some years past steps have been taken to increase the labour supply by recruiting further afield, by providing more attractive working, living and transport conditions and by increasing minimum rates of pay, incentive bonuses and service increments. At the same time steps have been taken to economise in the use of labour by increasing mechanisation wherever economically possible and by better training and use of employees in order to increase productivity. The success of the latter measures may be judged by a comparison of the results for 1946 and for 1952. In 1946, with an average underground non-European labour force of 223,947, 56,927,500 tons of ore were milled, equal to 254 tons per boy, whereas in 1952 the average underground labour force was 199,193 and the tonnage milled 60,069,500, equal to 302 tons per boy. In spite of these efforts, however, the labour supply, particularly non-European, is falling increasingly short of requirements and in an attempt to meet the position it has been decided to introduce further improvements in conditions of employment for non-Europeans, the most important of which is an increase of 4d. a shift in the minimum rates of pay applicable to underground workers. It is hoped that these measures will improve the position, but unless the supply improves to the extent not only of meeting the requirements of new mines but also of increasing the labour strengths of the existing mines, there must be a tendency for unit costs to increase further and therefore for the pay limit to be raised.

ENCOURAGING RESULTS AT DEVELOPING MINES

On the brighter side of the industry balance sheet are the encouraging results at various developing mines in the three areas mentioned above, and the preparation for and commencement of uranium production at some mines. Your company holds shares of several Free State mines, but its principal interest in the area is centred in the Harmony Gold Mining Company. As a result of the many boreholes drilled on and around the Harmony property it is considered that mining conditions will be good and that very nearly the whole of the property is underlain by Basal Reef. The results disclosed in the shaft intersection and in the limited amount of reef development so far undertaken have tended to strengthen this optimism regarding the prospects of the mine and the return on your company's large investment in the Harmony company. The list of mines accepted as producers of uranium already totals about twenty and may increase further. That this important new industry will benefit the gold mining industry and South Africa is well known to you. I should, however, like to add that in addition to improving the profit position of the mines concerned uranium production should favourably influence the life prospects of a number of them.

The power supply position deteriorated further during 1952, but the erection of new power stations and increases in generating capacity should enable the Electricity Supply Commission to meet the requirements of new mines and the uranium plants without imposing further power cuts. By the end of the year there should actually be an improvement in the position.

In general, then, it will be realised that although the gold mining industry is faced with some very serious, if not unprecedented, problems there are also certain grounds for modest encouragement.

OTHER INTERESTS

Your company also holds shares in companies whose various interests centre on coal mining, timber growing and exploitation and on the manufacture of cement, lime and concrete and steel pipes. Although the coal output of South African collieries again reached a record level in 1952, the scale of profitability of operations of the individual collieries was adversely affected by the country's overall shortage of transport. There was some improvement in the allocation of railway trucks, but the supply could not meet the demand and was too irregular to allow a steady flow of coal from underground, with the result that mining operations had to be curtailed from time to time. A certain amount of welcome relief has been granted by way of an increase in the inland price of coal, but there is still neither real recognition of the important principle of a price differential based on calorific values nor adequate recompense for the loss of the major part of the highly profitable export trade which may be difficult to recapture when the transport position improves.

The cement industry encountered a year of difficult conditions due to shortages of coal and transport, and profits decreased at most factories. Prices of cement are considered to be unrealistic in relation to present-day working costs and also to the cost of replacing items of capital equipment. It is therefore encouraging to note that the Cement Commission appointed by the Government made recommendations regarding price adjustments which would assist the industry.

The demand for lime which has risen steadily in the past is being, and will continue to be, substantially increased as a result of the requirements of the new uranium industry. The Northern Line Company in which your company has a large interest has recently decided to exploit the extensive deposit discovered at Silverstreams in the Hay district, Northern Cape, which contains large reserves of high-quality limestone.

The forestry, sawmilling and mining timber concerns in which your company is interested had a successful year and continued to expand.

POLICY OF CONSOLIDATION

During 1952 there was a slowing down of the overall rate of increase in economic activity in South Africa. This is not an unhealthy sign and under the present conditions of financial stringency and labour shortage it is in fact considered that the safe course for the Union would be to place emphasis on consolidation of the rapid progress made in recent years rather than on new development. Such a policy should enable the Government and other public bodies to catch up with the backlog in public services and works which has been hampering both production and development already in hand.

It is the intention of your directors to follow this broad policy of consolidation in the direction of the affairs of your company which has drawn heavily on its cash resources in the past year and is committed to further drawings in the near future in order to follow up its investment in the Harmony Gold Mining Company and in various other companies of the Central Mining-Rand Mines Group. In the meantime, however, investigation into various ventures is continuing and the sound financial position of your company will enable it to take full advantage of favourable opportunities for new investment at the appropriate time.

The report and accounts were adopted.

CROWN MINES, LIMITED

MR W. H. A. LAWRENCE'S SPEECH

At the fifty-seventh annual general meeting of shareholders, held in Johannesburg on May 13th, Mr W. H. A. Lawrence, the chairman, in the course of his remarks said:

Last year in my annual address I drew the attention of shareholders to the sharp deterioration which had taken place during 1951 in the position at the mine and to the resultant shortening of the profitable life remaining to it. I mentioned the steady and persistent decline in values and percentage of payability on the Main Reef Leader which had taken place in previous years with increasing depth and explained that the general position and prospects at the mine had deteriorated rapidly during 1951 as a result of the large increase in working costs, the continued decline in yield, the substantial decrease in values exposed on the Main Reef Leader and the disclosure of the serious proportions and extent of the reef dislocation at the bottom of the mine. I shall therefore confine my address today to comments on the more important developments that occurred during 1952 and their probable effects on the future of the mine.

DEVELOPMENT OPERATIONS

You will have seen in the reports to which I have already referred that it was decided to cease work south of the large Vierfontein dyke. The results of exploratory operations were disappointing and it was considered that there could be no economic justification for incurring the heavy capital expenditure that would be necessary to open up the deep level area. Sinking was therefore stopped at the incline shafts, which would normally have been advanced south of the dyke now proved to extend over two-thirds of the mine from the eastern boundary. The present and prospective reserves of ore north of the dyke are comparatively limited and development was accordingly started in shaft pillar areas in order to prepare them for extraction in the near future.

This alteration to the previous balance of operations coincided with a steady decrease in the labour force, but it was nevertheless possible to transfer personnel released by the curtailment of off reef development to operations making a more direct contribution to the development and extraction of ore. In consequence of these transfers it was possible steadily to increase the footage developed on reef. On the Main Reef Leader, which is the only reef on the company's property of major economic importance, development in the eastern section was concentrated in the more promising areas including shaft pillars, and as a result both grade disclosures and payability were better than in the preceding year. In the central section, although the development was selective, values continued to be generally low. Present indications are that few areas remain to be opened up in these two sections of the mine, where development operations are likely to be completed within the next year or two. In the western section, where the dyke has not yet been encountered, normal development operations were continued, and although the overall values disclosed were better than the previous year's figures, there was nevertheless a continuation of the declining trend in values with increases in depth.

IMPROVING OPERATIONAL RESULTS

You will have noted from the quarterly reports that there was a steady improvement in the operational results. These furnish convincing evidence that the rapid deterioration of the mine's position in 1951 has been arrested, albeit only temporarily. Provided costs can be held at about their present level and provided there is no undue decrease in the labour force, the extraction of shaft pillars on the eastern side of the mine is unlikely to commence until about mid-1954, that is one year later than anticipated last year. However, as a precautionary measure, and as a form of insurance against possible labour inadequacies, the preliminary work in the shaft pillars is being continued in order that the ore may be in an advanced stage of preparedness for immediate exploitation. It is considered that the position can be maintained until all the payable ore in the lower levels of the eastern half of the mine has been removed. At that stage the ore remaining in the upper levels of the eastern half of the mine in shaft pillars and certain scattered blocks will be mined in conjunction with ore from the western half of the mine. These operations may enable the grade to be maintained, but the tonnage milled must be expected to decrease substantially due to the contraction in the available ore reserves.

The results for the first four months of the current year are as follows:

Tons milled	1,039,000
Yield per ton milled—dwt.	3.229
Working revenue	£2,078,334
Working revenue per ton milled	40s. 0d.
Working costs	£1,927,104
Working costs per ton milled	37s. 1d.
Working profit	£151,230
Working profit per ton milled	2s. 11d.
Additional revenue from sales of gold at enhanced prices	£47,696
Development footage	21,838

The report and accounts were adopted.

CITY DEEP LIMITED

MR G. V. R. RICHDALE'S SPEECH

At the fifty-second annual general meeting of shareholders held in Johannesburg on May 13th, Mr G. V. R. Richdale, the chairman, in the course of his remarks, said:

The net profit in 1952, at £466,540, was lower by £623,498 than in the previous year. This unexpectedly sharp decline in the profit-earning capacity of the mine was due to a rise of 5s. 4d. per ton milled in working costs, together with a fall of 9d. per ton milled in revenue. The increase in working expenditure was mainly attributable to the decrease in tonnage, to the payment of higher cost of living allowances to employees and to a further rise in the cost of stores; the fall in revenue, which occurred despite a slight increase in the yield per ton milled, was due to a decrease of 19,075 ozs in the output of gold, brought about by a drop of 104,000 tons in the quantity of ore milled compared with 1951. Furthermore, the premium on gold sold for non-monetary purposes realised only £119,121, which was a little less than half the amount received in the previous year. The decrease in the tonnage was mainly due to the serious shortage in the supply of non-European labour, which persisted throughout the greater part of the year and which still continues. This is a vitally important matter which constantly receives the closest attention of all concerned and which has been the subject of particular consideration by the Gold Producers' Committee in recent months. As a result certain steps have been taken with the object of improving the supply of native labour to the mines, but it is as yet too early to judge how successful these measures will be.

SHAFT-SINKING PROGRAMME

During 1952 the programme of sinking the K line of sub-incline shafts from the 8,500 ft horizon was continued with the object of opening up the deep level areas on which the future life of the mine depends. Towards the end of the year it was decided to abandon the top-cut resue method of stoping. This system, first introduced in 1928, aimed at reducing the number and severity of pressure bursts. In top-cut resue stoping a cut of waste is first taken above the reef, and the latter is then blasted and trammed. The method results in a higher grade than with normal stoping, but also in higher costs per ton milled. Some shareholders have at times been critical of resue stoping because of the high working costs per ton milled which result therefrom, but I would emphasise that this system has been in operation over a large area of the City Deep for the last 24 years and that until very recently it has proved satisfactory and well suited to the peculiar conditions of the mine. Towards the end of last year, however, it was decided, because of the increasingly difficult conditions arising from rock pressure and inadequate ventilation, to change to a longwall system of mining which enables air flow to be concentrated and which has proved successful in other deep level mines in lessening the troubles caused by rock pressure. It is hoped that this system will result in improved working conditions and thus have a beneficial effect on working costs.

CAPITAL EXPENDITURE

Capital expenditure was expected to absorb £360,000 last year, but owing mainly to the shortage of labour the actual sum spent was only £271,926. During the current year, capital expenditure is likely to be of the order of £200,000 or £250,000, mainly on winding and pumping equipment and the installation of an electric haulage system underground. I must, however, warn you that adequate ventilation of the deep level areas of the mine is likely to prove difficult and costly and it must be expected that heavy additional expenditure will be incurred in this connection during the next few years. As I informed shareholders last year, the capital expenditure programme will be financed from profits, but it is clear that so long as the margin between the price received for gold and the cost of producing it from areas 8,000 ft. or more below the surface remains as small as it is to-day, the profits which the mine is capable of earning must be severely restricted. While every effort is being made by the mine management and all concerned to reduce working costs to the lowest possible figure and at the same time maintain the grade of ore sent to the mill at the highest level compatible with the ore reserve position, your board can see no prospect in the near future of maintaining dividends at their present level.

The difficulties through which your mine is passing are, as I have explained, directly related to the problems of pressure and ventilation at depth and to the serious shortage of native labour. These are all difficulties which have been forced on the mine management through circumstances beyond its control, but every effort is being made to tackle them energetically and on sound technical lines. Already some success has been achieved, but the cost of the capital programme which lies ahead is considerable and must, as I have indicated, involve a heavy encroachment on the dividend position during the next few years. On a long-term view the future is not entirely discouraging and there is reason to hope that it will be possible to continue profitable operations for a relatively long period. I must emphasise, however, that the best that can be hoped for in the near future, unless there should be a favourable revision of the gold price, is that it will be possible to maintain annual dividend distributions on a very modest level.

The report and accounts were adopted.

LONDON BRICK COMPANY

ATTAINMENT OF NEW PRODUCTION RECORD

MR A. T. WORBOYS ON THE CONTINUED PROGRESS

The fifty-third annual general meeting of the London Brick Company, Limited, was held on May 21st, in London.

Mr A. T. Worboys (the chairman) presided and, in the course of his speech, said: The trading profit and sundry income for the year amounted to £1,703,350, as compared with £1,440,581 last year. After providing £250,000 for normal and £150,000 for special depreciation, a total of £400,000 for depreciation of fixed assets, and £1,035,877 for taxation and other charges, including £220,000 excess profits levy, there remains a net profit of £267,473.

After deducting the net dividend for the year on the 8 per cent Cumulative Preference Stock and the net interim dividends totalling 17½ per cent on the Ordinary Stock, there remains a balance of £11,798, which has been added to the amount brought forward from last year of £272,270, thus increasing the balance to be carried forward to £284,068. The directors do not recommend the payment of any further dividend for the year 1952.

UNFAIR INCIDENCE OF EPL

You may recall that last year I felt it premature to express any opinion as to the effect of excess profits levy, but I did say that it would affect most adversely those businesses which have shown the greatest enterprise. From the accounts now presented, which were made up prior to the Chancellor's statement on April 14th last, you will observe from the sum that has been provided that my comment was justified.

For the purposes of excess profits levy, our standard years are 1948 and 1949, unfortunately for us, the two years immediately following the crisis year of 1947, and having followed a progressive programme of production since 1949, we are now thrown back on to the results of two weak years. This is unfair. It is unjust because, as a manufacturing concern, any increase in production of bricks means that we extract more clay, thereby exhausting our mineral reserves at a greater rate and we contend that results arising out of the more rapid exhaustion should be allowed to remain with us in full.

I know that we are to be freed from the injustice of Excess Profits Levy as from January 1, 1954, but bear in mind that we have to sustain a partial infliction of the tax for two years—1952 and 1953.

BRICK SUPPLIES

During the past two or three months the subject of brick supplies has figured frequently in the newspapers and stockholders will expect some comment from me. It is true that since the war, which necessitated the closure of a great deal of the brick industry's manufacturing capacity and a dispersal of its labour force, the reinstatement of production has lagged behind the growth of building and the demand for bricks, with the notable exception of the greater part of 1948 following the sudden and severe cut in building by the Government of the day. The effect upon our production build-up was serious and lasting. The demand for bricks suddenly was halved just when we had rebuilt our labour force and just when all our works had struggled back to day and night production. The enforced closing down of our night shifts in but a matter of weeks after their restarting scattered once again our labour. Small wonder that when the Government again reversed its building policy and we started again to build up production, our second recruitment of labour was much more difficult than the first.

I am not competent to judge whether or not that ten-month cut in building by the Government of the day was necessary or wise; I do know that the loss of confidence in the brick industry which was engendered in the minds of labour and of many of the smaller brickmakers has been a serious and persistent deterrent to production ever since. I believe that but for that cut there would have been little need to talk about brick shortages today.

It is also true that the pressure of the demand upon our company has never been heavier, but it is difficult for us to assess accurately its real weight because undoubtedly it has been swollen to false proportions. Mere rumours that a commodity is likely to be in short supply will produce an increase in the size of individual orders beyond what is actually required and a duplication and worse of orders placed through several different channels of supply. There is, however, the concrete fact that, whereas the pace of building has quickened during the last few months, the brick industry as a whole still lags behind its prewar annual production, and this increases the pressure upon the larger companies, and particularly upon our own, with its country-wide area of distribution. Again, the widening of the price gap between the most efficient makers and those of higher cost production further concentrates the demand.

We dislike the present situation. As I have suggested before to stockholders, a seller's market is very far from being all honey to a manufacturing business, especially to one such as our own, which has been built up over the years upon efficient service to its customers. The circumstances under which the delivery service which the Building Industry had come to expect of us has sadly deteriorated, have been quite beyond our control, but that does not prevent a resulting loss of hard-earned goodwill. Our prewar standard of service could only be given by ensuring that our productive capacity was always equal to the demand, and the only certain way of combating present difficulties is to continue to build up our productive capacity as far as postwar difficulties and financial prudence will allow.

RECORD ACHIEVEMENT

With all this in mind, we have been glad to record in the directors' report that during the year we achieved a long-sought target—the attainment and the betterment of our best prewar production figures. Last year's output of bricks, blocks and othe. clay products, when translated for convenience of comparison into brick equivalents, beat the record of 1938 by sixty-five millions.

By last September our weekly output figures were well in advance of those before the war. As a further step, we then embarked upon a programme of providing additional kilns at certain works, which hitherto have been single-shift units, to enable them to work the day and night shifts which are our standard practice. Already we are getting a useful further increase from this programme which will be completed during the next few weeks.

Further extensions of productive capacity during this present year will be influenced by the result of our claims for relief from the full impact of the excess profits levy to which I have made earlier reference.

In all our extensions we have had well in mind the necessity of maintaining the company's productive efficiency to ensure that when demand returns to what we must consider the norm of a buyer's market, it can maintain its output at an economically effective level: also we take every opportunity to increase the efficiency of existing production. A measure of our progress in this direction is the fact that the year's increase in output over the previous record of 1938 was produced not only in reduced working hours, but also with a smaller labour force. The money and effort which we are expending upon increased mechanisation are producing already their return in an improved productivity per man-hour and in a lightening of heavy tasks. I am satisfied that our competitive position has at no time been better and that it is steadily improving.

PRICE OF BRICKS

In a previous address to the stockholders I deplored the necessity for increases in the price of bricks arising out of heavy and all-too-frequent rises in the cost of most of the materials and services which we buy, particularly solid and liquid fuel, power and transport. I am all the more pleased, therefore, to report that we were able to bear the last increases in railway rates, coal and motor fuel out of our increased efficiency and as some small contribution to the stabilisation of prices. Two years ago I had hoped that our growing output would enable us to start brick prices upon a downward path, but we were caught inevitably in the general upward spiral. We can feel some small satisfaction in having been able to hold our prices level during the past eleven months.

As I have confessed to stockholders upon a previous occasion, I dislike the role of prophet, but with nearly five months of steady progress behind us in this current year, I look forward with sober confidence to the results that I shall place before you when next we meet again in annual general meeting.

Mr Worboys concluded with a cordial tribute to all of the company's 8,000 employees who had co-operated so well to obtain the results achieved.

The report was adopted.

RANSOMES SIMS & JEFFERIES, LIMITED

FACTORS AFFECTING RESULTS

The sixty-ninth annual ordinary general meeting of this company was held on May 20th at Ipswich, Sir Reuben Hunt, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts:

The trading results of the parent company and its subsidiaries for the year to December 31, 1952, amount to £454,563, compared with £625,690. The total monetary value of the company's dispatches to both home and export markets corresponds closely to the total dispatches of the year 1951.

The fall in the trading results is due to three major factors. First, towards the end of 1951 a substantial increase in salaries,

wages, materials and bought-out stores took place, which was not fully recoverable in our selling prices.

In export markets licensing difficulties and many interferences with trade made it impossible to conduct our business as satisfactorily as in previous years. Nevertheless, by being able to offer prompter deliveries we were able to obtain our fair share of the trade which was offering.

Taxation absorbs five and a-half times as much of our cash balance as does the net dividend paid to the proprietors. The position remains extremely unsatisfactory,

We are of the opinion that our strong reserves and our ability to obtain a fair share of any trade which is passing should enable us to maintain the dividend on our ordinary share capital when increased by the proposed new issue.

The report was adopted.

GALLAHER LIMITED

LARGER SALES DESPITE COMPETITION

BRANDS IN STRONG DEMAND

SIR EDWARD DE STEIN ON PRICES AND COSTS

The fifty-seventh annual ordinary general meeting of Gallaher Limited (Incorporated in Northern Ireland), was held on May 21st at Winchester House, Old Broad Street, London, E.C., Sir Edward de Stein, chairman of the company, presiding.

The secretary (Mr George Iliff, ACA) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1952:

In presenting the accounts for the year 1952 I would like to make it clear that nothing is included in our figures in respect of Cope Brothers and Company, Limited, which we have acquired as from January 1, 1953. The figures in our printed accounts differ slightly from those appearing in the press in the month of March, due to alterations in the tax provisions following the 1953 Budget. I would also like to welcome as a director of your company Mr Clarence Parker, the chairman of Copes, who joined your board on January 1st this year. He is, unfortunately, unable to be here today as he is on a business visit to Canada.

POPULARITY MAINTAINED

Once again I am pleased to be able to say that we have increased our tobacco sales in spite of keen competition throughout the trade. Your company's brands, particularly "Condor Sliced," remain in strong demand. Your cigarette brands have more than maintained their popularity with the smoking public and supplies of the two main brands, "Park Drive" and "Senior Service" are still far short of the demand. Your filter-tipped "du Maurier" cigarette is still gaining in popularity.

In my statement last year I referred to the fact that in 1952 we would have twelve months' revenue from the increase in cigarette prices as compared with the four months of increased prices in 1951. As you will see from the accounts, this has not had a material effect on the trading results, as the profits of the company before taxation are only slightly up at £1,505,000. Costs have continued to rise throughout the year and leaf tobacco costs—in contrast with the prices of many other commodities—are still increasing. It is as yet early to forecast what will happen to prices in the tobacco buying markets during the 1953 season, but information to date suggests there may well be a further rise in leaf costs generally. Other expenses have also increased, but we now see some reduction in the cost of our packing material—a welcome change in trend which, however, has not yet extended to other items. Duty is, of course, by far the largest item and it is one over which your directors have no control: it represents 85 per cent of total costs.

APPROPRIATIONS

The burden of taxation falls a little less heavily on us this year, mainly due to the changes in the profits tax provisions in the 1952 Finance Act and the change in the income tax rate recently announced. As I told you last year, we have a good standard for excess profits levy: the company and its subsidiaries have no liability to this tax on the 1952 profits. As a result of the reduction in the tax liability on our current profits, the amount available for appropriation is increased by about £117,000 from £553,000 to £670,000. We have used £100,000 of this figure to strengthen our contingencies reserve, which had been reduced by £44,000 in 1952 for writing off certain expenditure referred to in Note 2 on page 9 of the report and accounts. A further £70,000 has been transferred to provision for employees' pensions and the carry forward has been increased by £50,827.

After making the appropriations mentioned above and increasing the carry forward, your directors recommend the payment of a final dividend of 12 per cent on the ordinary stock of the company, making a total of 17 per cent. If last year's distribution had been payable on the capital as increased by capitalisation of part of the share premium account the dividend would have been at the rate of 16¼ per cent. This year's final dividend is not payable on the £437,500 ordinary stock issued in exchange for the ordinary stock in Cope Brothers and Company, Limited, acquired by the company since December 31, 1952.

Turning to the balance sheet of the company there are only two points which I wish to mention. Firstly, there is the transfer of £2,250,000 from share premium account to ordinary share capital account following on the resolution passed at an extraordinary general meeting last year which authorised the capitalisation of £2,250,000 out of share premium account. Secondly, there is a reduction of £500,000 in the value of stock in trade. In my statement last year I mentioned that our dollar allocation for 1952 would be reduced considerably and that we would have to eat into stocks in order to maintain output. It is the reduction in our purchase of dollar tobaccos which is responsible for this decrease in our stock in trade.

MERGER WITH COPE BROTHERS

The merger with Cope Brothers and Company, Limited, and their Richard Lloyd and Sons branch has been the outstanding event of the year. The business of this old-established company, consisting mainly of brands of pipe tobaccos, is complementary to the existing business of the parent company and its other subsidiaries. Since the end of March these brands have been distributed through the Gallaher sales organisation thus effecting economies in overheads on a considerable scale. By using the Gallaher sales organisation we are confident we will obtain a much wider distribution for the Cope's and Lloyd's brands, which will, we believe, lead to increased sales, especially of "Old Holborn," "Bondman" and "Skipper." For some time past the demand for "Old Holborn" in particular has been expanding very rapidly and the Richard Lloyd and Son factory is being quickly and efficiently re-organised and will shortly be in a position to meet the demand.

I should like to take this opportunity of recording our satisfaction at the enthusiastic co-operation we have received from the members of the Cope and Lloyd organisations. I feel confident that the combination of the two companies is sound and will have satisfactory results.

RECORD SALES OF "MANIKINS"

So far as J. R. Freeman and Son, Ltd., is concerned, I am glad to report that the sales of "Manikins" for 1952 have again created a record for the company.

As regards our other subsidiary companies, I should like to make particular reference to Mono Pumps, Ltd., our engineering subsidiary. They have further expanded their business in 1952 and have made a valuable contribution to the profits of the group. Acquired in 1944 mainly to ensure that we could equip our cigarette factories after the war, this business has proved to be a sound investment apart altogether from the protection provided to us for cigarette machinery.

Immediately at the conclusion of our annual general meeting we will be holding an extraordinary general meeting for the purpose of adopting new Articles of Association. There are no material changes in the new Articles. A reprint is now necessary and the opportunity has been taken to bring our Articles up to date.

"REASONABLE CONFIDENCE"

The expansion of our cigarette business is still mainly dependent upon the allocations of dollars, but the continued popularity of our brands, both in the cigarette and tobacco fields, and the efficiency, loyalty and enthusiasm of our staff and workers, encourage us to believe that, notwithstanding the difficulties and problems of the present day, we can meet the future with reasonable confidence.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring directors, The Rt. Hon. Lord Ampthill, CBE, Sir Edward de Stein, Mr W. A. Edmenson, CBE, DL, and Mr Clarence Parker, ACA, were re-elected and the auditors, Messrs Hill Vellacott and Bailey, were reappointed.

At a subsequent extraordinary general meeting a resolution was passed adopting new Articles of Association.

BRUSH ELECTRICAL ENGINEERING

SUBSTANTIAL VOLUME OF ORDERS IN HAND

SIR RONALD W. MATTHEWS ON CHANGED TRADING CONDITIONS

The sixty-fourth annual general meeting of the Brush Electrical Engineering Company, Limited, was held on May 21st in London.

Sir Ronald W. Matthews, DL, MInstT (the chairman), presided.

The following is an extract from his circulated statement:

It will be apparent to you from the directors' report and the accounts that 1952 has been a difficult year in certain directions. All branches of our business, however, have not been affected to an equal extent.

Dealing first with electrical engineering, our factory at Loughborough has had a reasonably successful year. Its productive resources have operated at full capacity throughout and a satisfactory order book has been maintained. It has, indeed, been necessary to restrict still further our coachwork business to provide more factory space for electrical products. At Cardiff, both production and sales have maintained a reasonably satisfactory level.

Our Staines and Leeds factories were most seriously affected, but the managements of both factories made valiant and successful efforts to cut their coats according to their cloth. At our Stockport factory there has been an inevitable drop in output during the changeover from the old HF and TL engines to the modern J and K range. This operation has now been successfully completed and I feel we may look forward to satisfactory results from Stockport in the coming year.

ASSOCIATED TUBE WELLS LIMITED

It is in regard to Associated Tube Wells Limited, that we have had our most serious problems. Although the newest development, the operations carried out by this company provide an important market for the products of our electrical and engine factories and should in due course yield a substantial profit from the civil engineering operations themselves. Unfortunately our first contracts have not proved entirely satisfactory, largely because the prices agreed in 1950 proved inadequate in the face of rising costs throughout the world, and in the early stages we experienced some difficulty in settling certain technical and procedural problems with the Indian provinces, for which the work was being carried out.

We have found it necessary to provide a substantial sum towards the losses already experienced on these first contracts. This matter has had most careful investigation and consideration has been given as to whether operations of this kind should continue. Your directors, after a thorough examination of the whole question, consider that though these first contracts have resulted in substantial losses, there is now in existence a large organisation with the necessary skill, experience and equipment to enable future tubewell projects to be tackled in an efficient and economic manner and to the benefit of the group as a whole. Accordingly a further contract has been undertaken on more favourable terms, thus ensuring continuity for employees and equipment and, we trust, turning to good account the invaluable experience we have so dearly gained.

Two other important factors contributing to the reduction in net profits are the increase of £189,010 for bank, mortgage and other interest arising from the temporary increase in stocks to which I have referred, and an increase in the depreciation charge of £115,234. There has, however, been a substantial reduction in stocks since the peak reached in July, 1952. Finished products have been cleared with the improvement in trade conditions, while the introduction of a uniform system of material and stock control throughout the whole group should achieve a reduction in stocks of raw materials in the forthcoming year, and thus save considerable sums in bank interest.

So much for the past, which, as you will have realised, has been full of difficulties, many of them arising from circumstances beyond our control.

As for the future, we are not yet out of the wood, but as a result of the determined steps taken by the management during 1952 the closing months of that year were more successful and more profitable than the spring and summer.

SALES

Having dealt at length with the widespread manufacturing activities, the statement referred to the recession in the export trade experienced during the middle of the year and continued: Some of our more important markets, including India, Malaya, Australia and Brazil drastically curtailed their orders and although strenuous efforts were made to sell elsewhere the setback was serious for some months and we have not yet fully recovered the ground lost. Notwithstanding the drop in order intake during 1952 the group as a whole still has a substantial volume of orders in hand and a number of encouraging orders both from home and abroad have been received.

The importance to the national economy of exports of capital equipment is well known; unless the heavily industrialised countries export their products to the primary producing countries there can be no hope of raising and equalising the standard of life throughout the world. The Brush Aboe group is exporting capital goods which have a life of many years and our customers would like to pay for them over a number of years. This is one of the services they are getting from our competitors in other countries, but we cannot pay our suppliers and our work people over a number of years; they want the food and clothing they have earned now. I feel most strongly that this question of extended credits can only be solved with government assistance.

The future development of the group continues to receive very close attention to ensure that the programme is based upon the most modern scientific knowledge and is in harmony with the world economic trends. One of the world's foremost technologists in thermo-dynamics has been appointed our consultant on this subject.

Considerable study has been given to the technical development of our engine types, both in the improvement of existing engines and the study of new designs to meet the requirements of anticipated future markets. In the smaller ranges of engines considerable work has been done in extending the range of air-cooled engines for which there is an increasing demand and air-cooled designs up to 100 b.h.p. have been developed and are being thoroughly tested before being put into full production. These are the largest air-cooled Diesel engines produced in this country.

The report was adopted.

UNITED MOLASSES COMPANY, LIMITED

SATISFACTORY PROFITS

The twenty-seventh annual general meeting of this company will be held on June 9th in London.

The following is an extract from the circulated statement by the chairman, Sir F. Michael K. Kielberg, KBE.

The combined gross profits of the company and its proportion of subsidiary companies' profits amounted to £7,226,449 compared with £8,007,055 for the previous year. This bears out my forecast of twelve months ago to the effect that while profits for 1952 were unlikely to reach the high peak of 1951, indications were that, barring some catastrophic happenings in the months ahead, profits would prove entirely satisfactory if compared with those of any year prior to 1951. Taxation again absorbs by far the greater part of the year's earnings and amounts to about 67 per cent of the total net profits.

Trading conditions in 1952 were at most times difficult and became as the year progressed increasingly competitive. It is pleasant to be able to report an almost complete reversal in the position of the world's Molasses markets and the return to more normal and much healthier conditions. Consumption is again expanding and our own stocks had by the end of the year been reduced to the absolute minimum.

As far as prospects for the current year are concerned, present indications are that earnings will show a substantial decline compared with last year's profits, but they should compare favourably with the profits earned in any year prior to 1951 and comfortably cover dividend requirements.

LIMMER & TRINIDAD LAKE ASPHALT

IMPORTANCE OF ROAD MAINTENANCE

The eighty-first annual general meeting of the Limmer & Trinidad Lake Asphalt Company, Limited, will be held on June 12th in London.

The following is an extract from the circulated statement by the chairman, The Rt Hon Lord Courtauld-Thomson, KBE, CB:

The trading profit and investment income of the company and its subsidiaries for the year was £449,188 against £391,877 for 1951. The company's net profit amounts to £122,592 against £107,959. The total distribution for the year is 15 per cent, paid on the capital increased by the issue of free shares in 1952 compared with 13½ per cent in the previous year.

The nation's highway system should be one of its most precious assets. Roads are of vital importance. The surfaces of many roads are good, but a member of the Government has said that in road maintenance we were "just about rock bottom." It would require large sums of money to remedy this unfortunate and uneconomic situation. It is urged, therefore, that the Government should release some of their lion's share of motor taxation receipts, to be expended on better surfaces and maintenance. When the Government allocates increased funds to highway authorities, your directors are satisfied that our organisation with its modern equipment and ample reserves will be in a position to undertake any additional work which may be entrusted to us.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

NEW LOANS EXCEED £4 MILLION

The twenty-fourth annual general meeting of the Agricultural Mortgage Corporation, Limited, was held on May 20th in London, Mr E. J. Bunbury, CBE, MC, the chairman, presiding.

The following are extracts from his circulated statement for the year at at March 31, 1953:

The genial weather of the spring and summer of last year resulted in a bountiful harvest, gathered in straightforward conditions. Production of sugar-beet fell considerably. Root crops which at one time were backward owing to the summer drought, made a remarkable recovery after the rains of early August.

Winter conditions set in rather earlier than usual with severe frosts and substantial snowfalls in many districts, with heavy drifting and stock losses on the high ground in Northern England and in Wales. A good February, however, enabled farmers generally to get well forward with spring cultivation.

THE DISASTROUS FLOODS

The disastrous floods which caused such widespread damage along our eastern seaboard at the end of January, inundated large areas of agricultural land and it has been estimated that some 150,000 acres of productive land have been more or less seriously affected.

During the year new loans for £4,474,819 were completed, and at March 31, 1953, loans amounting to £573,789 had been approved by the directors and are awaiting completion. Both these totals fall short of the corresponding figures for the previous year which constituted an all-time record in the Corporation's history. A variety of causes have contributed to this. For the first time for several years, prices of farms generally have tended to decline and fewer farms have changed hands during the past twelve months. This, as might be expected, affected our loans for farm purchases, which declined by over £400,000 compared with the previous year.

The fall in values of farms may be attributed partly to the effectiveness of the disinflationary policy of the government.

HIGHER AVERAGE LOAN

It is of interest to note that the average amount of loan granted during the year was £4,686, which compares with £3,766 for the overall average loan outstanding. The total of loans outstanding is £24,089,656, being an increase of £3,249,321 over the corresponding total last year. The security for these loans is represented by freehold agricultural or horticultural properties in every county of England and Wales.

We have transferred £11,200 from revenue to contingencies account, and after making provision for bad and doubtful debts, and setting aside the sum necessary to cover all interest payments due from borrowers up to December 31, 1952, and not received by the end of our financial year, the amount available on profit and loss appropriation account is £38,182, 16s. 10d. Of this £7,376 has been transferred to special reserve, £20,946 13s. 4d. has been written off the items for expenses of issues of debenture stocks, £8,083 has been written off the discount at which 4½ per cent, 3 per cent and 3½ per cent debenture stocks were made, leaving a balance of £1,777 3s. 6d. which the directors propose to carry forward.

The report and accounts were adopted.

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY

SIR ERNEST OPPENHEIMER ON THE YEAR'S RESULTS

The forty-third annual general meeting of The Rhodesia Broken Hill Development Company, Limited, will be held on June 12th in Nkana, Northern Rhodesia.

The following is an extract from the statement by the chairman, Sir Ernest Oppenheimer, dated April, 1953, circulated with the annual report and accounts for the year ended December 31, 1952:

Members will recollect that in the statement which I made in May, 1952, I emphasised that the results of that year's operations, which established new records, were not likely to be repeated in 1952. This has proved to be the case as the operating profit for last year, at £2,800,000, is approximately half that earned in the previous year. This decrease is due to the fall in selling prices of metals produced. Production and costs were satisfactory throughout the year. The net profit after taxation amounted to £1,800,000, from which £500,000 has been appropriated to capital reserve. This appropriation is made in pursuance of the board's policy to finance capital commitments primarily out of profits.

In addition to the proved ore reserves at December 31, 1952, it is estimated that 290,000 short tons of recoverable sulphide ore and 160,000 short tons of recoverable oxide ore have been indicated below the 650 ft. level in No. 5/6 ore body; the previous figure was 238,000 short tons and related only to sulphide ore.

The consulting engineers in their report refer to the strike which took place on the Copperbelt in October/November, 1952, in support of a demand by the Northern Rhodesia African Mineworkers' Union for an increase in wages of 2s. 8d. per shift, or 80s. per ticket of 30 shifts. This strike did not extend to Broken Hill, but since the company's policy is to pay its African employees the same basic wages as those on the Copperbelt, they have received the benefit of pay increases ranging from 35s. to 50s. per ticket awarded at the arbitration proceedings which followed the strike, and additionally they now get extra pay for Sunday work and for afternoon and night shifts.

RHOANGLO GROUP BILL

An extraordinary general meeting of members was held on January 28, 1953, to give formal approval to the presentation to the United Kingdom Parliament of the Rhoanglo Group Bill, which may well be enacted by the time this statement is in the members' hands. If the Bill is passed this company, together with Rhodesian Anglo American Limited and its allied copper companies, will become reincorporated in Northern Rhodesia, thus finalising the move from the United Kingdom which took place at the end of 1950. It is anticipated that re-registration will be effected early in 1954. Thereupon the company's principal share register will be maintained at Kitwe, but the company proposes, for the convenience of members, to set up branch registers in London and Johannesburg in substitution for the principal and branch registers now maintained there.

In conclusion, I consider that the past year's results have been satisfactory—and I regard the company's future prospects with confidence.

Copies of the annual report and accounts may be obtained from the Head Office, Kitwe, Northern Rhodesia, or from the transfer offices at 44, Main Street, Johannesburg and 11, Old Jewry, London, E.C.2.

HANDLEY PAGE

THE VICTOR BOMBER

The annual general meeting of Handley Page Limited was held on May 20th in London, Sir Frederick Handley Page, CBE (chairman and managing director), presiding.

The following is an extract from his circulated review of the year 1952:

It ended with the first flight of the Victor, our new four-jet crescent-wing bomber. This was the culmination of a long period of research, design and development.

The revolutionary performance of this bomber owes much to the crescent-wing which your company's research and design staff has developed and which combines the merits of the razor-thin wing, the swept wing and the delta design, without their shortcomings. So impressive is its performance, that the Victor bomber has been ordered for super priority production direct from the drawing board.

Your company, in addition to its development and production of military aircraft, has also plans for new civil aircraft, large and small.

Our new 150-seater HP97, an intercontinental jetliner, which is foreshadowed has profited greatly from the evolution of the Victor bomber and its crescent-wing. It is capable of three Atlantic crossings between London and New York in a day at a direct operating cost of less than £15 per passenger.

There has long been a need for a modern aircraft to replace the old prewar foreign types, which form a large part of the world's feeder-line equipment. Your company is interested in the potentialities of this requirement.

ASSOCIATED FISHERIES

DIFFICULT CONDITIONS

The twenty-fourth annual general meeting of Associated Fisheries Limited was held on May 19th in London, Mr W. A. Bennett, chairman and managing director, presiding.

The following are extracts from his circulated statement:

The year's trading started off full of promise, but after the first few months conditions began to deteriorate and remained very difficult for the rest of the year apart from occasional short-lived improvements. Lack of demand, due to a recession in the consumption of fish, has been most marked.

It is difficult to ascribe a definite reason or combination of reasons for this reduction in consumption, though we should keep in mind the widening of choice to the housewife of alternative foodstuffs now available, many of which are still subsidised.

The total turnover of the group for the year was £6,770,000 resulting from the employment of fixed assets costing almost four million pounds. After covering all costs and depreciation, the profit remaining out of every 20s. turnover is just under 9½d., of which taxation absorbs 6d. Profits retained to meet increased replacement cost of assets account for a further 1d. and 2½d. is paid out in dividends, after deduction of tax—surely a very modest reward to the stockholders.

The adverse conditions ruling at the close of our financial year have continued to date. Under such circumstances you will appreciate that it is quite impossible to give any indication of prospects for the immediate future, but our results for the current year to date compare very unfavourably with the corresponding period of last year.

We can face the future with the knowledge that the business is soundly based in all essentials.

The report and accounts were adopted.

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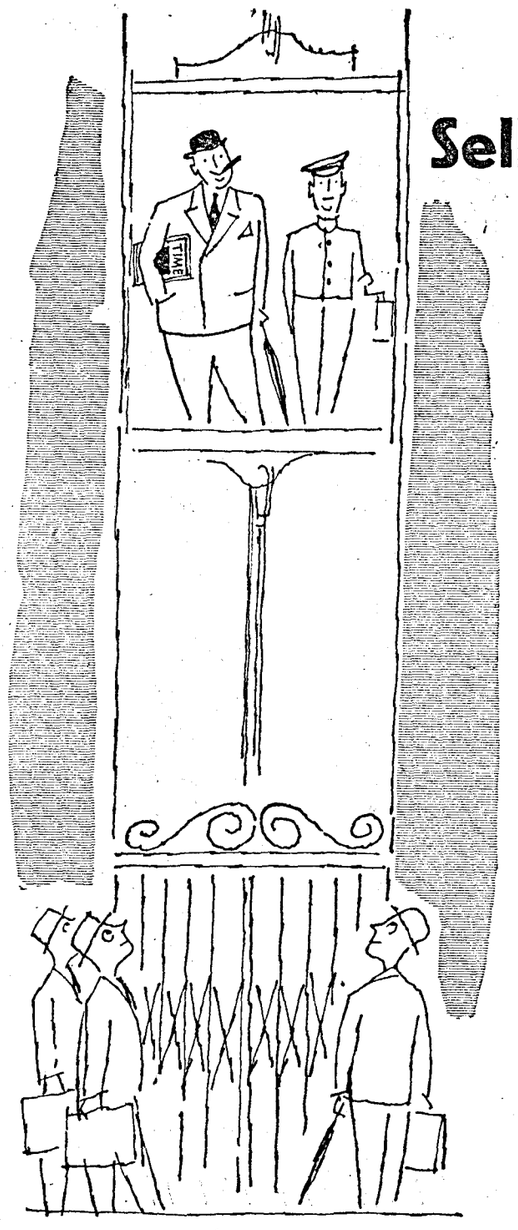
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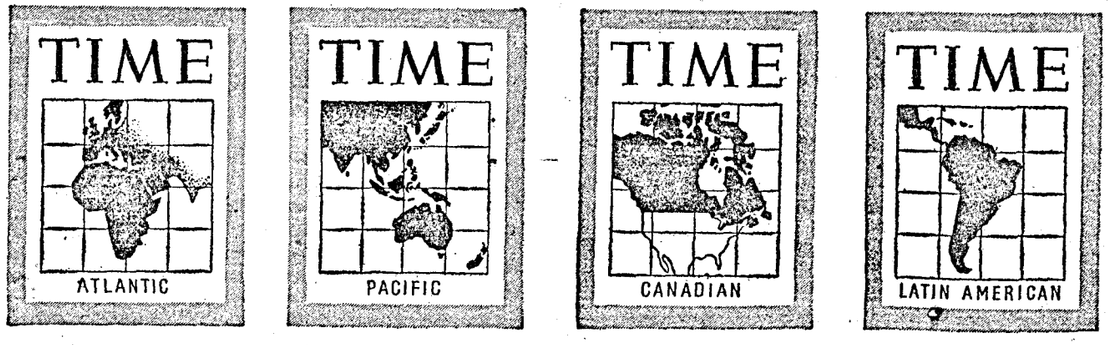
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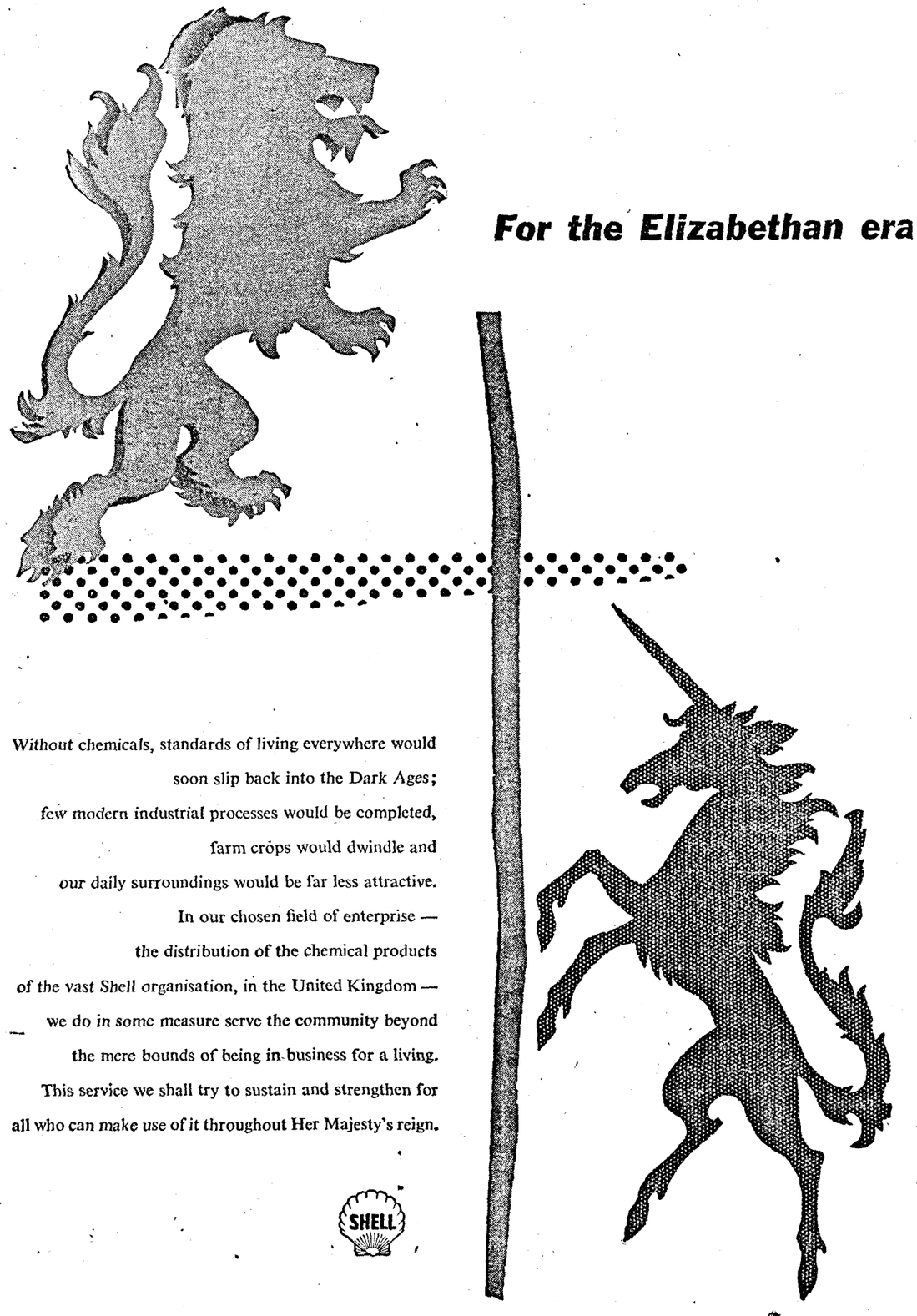
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Happy and Glorious

A CORONATION is the most magnificent ceremony of that most magnificent ceremonial institution, the British Crown. Emphasis has rightly been laid on the religious aspect of Tuesday's service. But in this twentieth century it is as a secular sacrament that the Coronation will be regarded by the great majority of those who are flocking into London to see it. As the peers of the realm in the Abbey, so the people in their hundreds of thousands in the streets, and in their millions upon millions on the radio, are come to recognise their undoubted Queen and to return loyal homage for her solemn oath. All this, of course, is symbolism. But every society has its symbols, and the believers in constitutional monarchy (who include many of the most intelligent and cultured peoples of the world) can at least claim that their symbols, being alive, are more natural for a human society.

This particular coronation, by a unanimity of instinct, is a very special one. Everything conspires to sustain the hope and belief that it formally inaugurates a long and glorious reign. Queens have been lucky for this country, and young queens especially. By name, Her Majesty recalls the magical springtime of Elizabeth I. But the parallel is closer—and equally happy—with Victoria, and either augury gives ample reason to salute Queen Elizabeth II with high hearts and hopes. There is something more than wishful nostalgia in these attempts to recall great ages by echoing great names. For forty years the British people, more than almost any other in the world, have lived in constant crisis and under constant strain. Undoubtedly there is a certain spiritual fatigue. But nothing vital has been lost and if for a generation they could be granted a surcease of alarm, there could be a great resurgence of spirit from a people still basically at one, still rich, still proud and still free. If there is nothing in the present posture of the world to warrant any confidence that such a respite is likely, the events of the last few months have equally shown that there is nothing to forbid the belief that it is possible. And in so doing they have shed their own shy ray of sunshine on the pageantry.

Lost in the Coronation excitement, there is an anniversary this weekend that is not wholly irrelevant to the theme. Friday was the five-hundredth anniversary of the fall of Constantinople. And in a few weeks' time, on July 17th, it will also be half a millennium since the battle of Castillon finally drove the English out of France and brought the Hundred Years' War to an end. Both events were more the recognition of facts already accomplished than decisive in themselves. But they are none the less serviceable to mark the formal end of the Middle Ages in the eastern and the western marches of Christendom.

Indeed, a pretty historical theory can be built around the abundance of anniversaries in these mid-century years. There is, the theory would run, a periodicity in human affairs that lasts about a hundred years, but begins about the middle of the calendar century. About that

time, it appears, a new line is struck out, a new guiding principle takes command. For a generation, or sometimes two, it develops in relative tranquillity. But gradually the contradictions, the inner conflicts, the contentious children of tranquillity, begin to appear. The tensions build up, in the early decades of the calendar century, into a time of troubles. But by the middle of the century, the issue that has provoked the conflicts is resolved and the cycle begins again.

Thus the Renaissance, after fifty years during which the human mind opened like a gigantic bud, led straight to the Reformation and to the first dreadful round of religious wars. Both in England and on the Continent, a settlement was reached in the 1550s. It took the form of strong national monarchies, which assured enough stability to give England and Spain and (in some respects) Germany their golden ages. Strong monarchies, however, declined after the turn of the century into civil conflict, and the 1640s, with civil war in England, the *Fronde* in France and the Thirty Years' War in Germany, were a period of despair. But once again, in the 1650s and the early 1660s, a settlement was reached and though it was on different lines in different countries, it everywhere made possible a great forward surge in human arts and sciences. In the eighteenth century, the pattern is a little less clear. But Watt and Voltaire stand out as the markers of the new direction that the human spirit took, once again, in the middle of the century; indeed, few revolutions have been more decisive than that of which free thinking and technology were the parents. The time of troubles followed very promptly and was prolonged. But it was, once more, in the 1840s and the 1850s that the long liberal summer began. This, in turn, bred its time of troubles, through which we have been living.

So we stand once again at the watershed of a century. Of the forces that have been at work in its first half —in the reigns of the four kings who divide the century and separate the two queens—the supplement included with this issue of *The Economist* attempts to give some account. Of what is still to come, only this can be said with assurance : that the uncertainties and the apprehensions are surely no greater than they must have been at the mid-point of those other centuries, which yet blazed forth so splendidly.

This pattern weaving, it will be said, is no more than a piece of historical fiction. That can readily be granted. But is this the day to question the validity of historical fictions, when one of the most transparent of them is about to parade through the streets of London its power to captivate the minds and stir the emotions even of that disillusioned cynic the mid-century Briton ? Give us leave to base our aspirations on whatever fancies we may, if they give us joy and courage to face the future. Let us wrap them up in the familiar prayer and cheer ourselves hoarse for the symbols and the fictions, for the banners and the emblems, for the pride of the past, for the warmth of the present and for all the hopes of the future. Send Her Victorious. Happy and Glorious.

God Save the Queen.

The Meaning of Bermuda

RUSSIA'S rejection of the western proposal to renew negotiations on the Austrian treaty has changed the complexion of the Bermuda meeting. It seems at present to have ruled out any imminent possibility of a high level conference with the Russians, and emphasises the fact that the task at Bermuda will be to bridge the gap between friends rather than foes. In suggesting, a fortnight ago, direct personal contact with the new Russian leaders, Sir Winston Churchill was reflecting the great yearning for peace throughout the west. But, while his genuine and heartfelt suggestion has met with no response from the Kremlin, its very popularity has since created a fresh bout of suspicion and recrimination within the Atlantic alliance that cannot be ignored. And it is primarily this new situation that must be dealt with at the proposed meeting in Bermuda next month between President Eisenhower, Sir Winston and the French prime minister—whoever he may be—before there can be any real question of a satisfactory approach to Russia.

Besides the recent disarray in western thinking, a Big Four conference now also seems impossible for two specific reasons. The Americans, who never liked the idea at this stage, had insisted that progress on the Austrian treaty should be one of the prime tests of Russian good faith; and without good faith they see no point in seeking a conference. The Russians seem in fact to be reverting to the attitudes and actions of the Stalin era; there is now plenty of evidence to suggest that the softening after the great man died was for tactical reasons of even shorter range than had generally been hoped.

By refusing to discuss Austria the Russians have done much to chill even the limited optimism that survived the columns of *Pravda's* important leading article last Sunday. It is true that the article was phrased in a conciliatory tone which would have been almost inconceivable a year ago. But the contents did little to suggest that the Russians were prepared to make any concessions of substance. And their attitude over the Austrian treaty, knowing in particular the importance publicly attached to it by President Eisenhower, has confirmed this view of their intransigence. They have, moreover, now gone further. By pointedly reminding the western powers that the Austrian negotiators were no more than deputies for the Council of Foreign Ministers, Moscow has given yet another hint that what it wants is a return to Potsdam, to get back, that

is, to the situation which existed in Germany just after the war. Four-power control of Austria has continued until long after the call for it has gone. Now, the Russian attitude is to seek its restoration in Germany. To put the clock back may sound a simple solution for an exceedingly complex situation. But events have gone too far to make it feasible. To allow a Russian voice in the running of Western Germany would be intolerable at this stage, not only to the whole community of Nato but to the Germans themselves. A four-power conference with that end in view would merely be a bargaining platform for Russian propaganda. It would widen rather than bridge the already yawning chasm between east and west.

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Failing progress on Austria, the other criterion set by President Eisenhower for talks with Mr Malenkov and his colleagues has been progress at Panmunjom. But in view of the Communists' general attitude, both at the truce table and elsewhere in the world, it hardly seems likely that such progress will now be rapid enough to affect the issue. Indeed, if the Bermuda meeting between the American, British and French heads of government were to be regarded as in any way a preparation for a Big Four conference, there would have to be a remarkable change in the whole Korean picture during the next three weeks. The further adjournment of the truce negotiations on Monday for another week was not exactly a promising start.

Whatever is on the agenda for Bermuda, the fact is that the meeting will largely be dominated by the problems of the Far East, and its success or failure may certainly be judged by the extent of agreement reached about them. For when President Eisenhower took the initiative in proposing a meeting with the British and French Prime Ministers, he did so because he was alarmed at the differences which had arisen between the United States and its allies. And those differences really sprang from the divergence of mood promoted and sustained by emotions which have found their focus in Korea. Although the President's initiative in fact followed Sir Winston Churchill's suggestion that a meeting with the Russians might be profitable, his eyes were fixed more on the consequences than the contents of Sir Winston's speech. It was because of the twist given to the Prime Minister's words and even more to those of Mr Attlee, rather than because of the words themselves, that the President acted. But, although the extreme form in which much American opinion has lately been expressed represents a danger to the unity of purpose of the free world, the rightness of the American approach as taken by President Eisenhower is now being proven by the Russians themselves; they have rejoiced at the breaches in allied ranks and are afraid only that the coming three-power conference will heal them.

If, then, Bermuda is to be primarily an occasion for closing the gap between America and its allies in order to fight the cold war more effectively, in what will the task mainly consist ? One aspect, perhaps the most important, will be to estimate how far European opinion may move towards America on the Far Eastern problem, and how far some modification may take place in American attitudes. For President Eisenhower this will be a matter of crucial concern, if he is to give successfully the kind of national lead which he has so far declined because he risked opposing Congress and the right wing of the Republican party. And in Washington at any rate the chief barrier to a unified Far Eastern policy is recognised to be the difference of views about China. What are Peking's real intentions ? How far is China rather than Russia now the main expansionist power ? How can it be contained ? How much control does Moscow have over Peking ? If Korea is settled, should Communist China join Uno, and how soon ? These are the questions on which some consensus of allied view is essential if anything lastingly useful is to come out of the Bermuda meeting.

The problem may well be stated quite simply: while there no longer seems to be any real possibility of Bermuda laying the groundwork for an allied conference with Russia, it should clear the ground for dealing with China. It is, however, one thing to know and state the problem, and another to solve it. No one supposes that, after the long history of disagreement on Far Eastern policy, a short conference is going to heal all differences. But only a positive public and agreed approach by the three governments, can cut the ground from under the feet of those in both Britain and America who accuse their allies of not playing fair. It is just as necessary to rob Senator McCarthy of ammunition for firing at British ships trading with Chinese ports, as to refute those who genuinely believe that the Americans rather than the Communist leaders are preventing a truce in Korea.

Above all, some solution is overdue on the problem of how Americans are to talk politics with Chinese Communists. All negotiations in Korea have so far been on a purely military basis; but the next step, if there is to be one at all, must involve formal negotiations between governments. They in turn imply an agreed and recognised plan, not only for containing Chinese expansionism but for establishing a workable relationship with Peking if it does behave. Now that the Russians have shown that, in spite of the internal changes after Stalin's death, they are not prepared for a real settlement, this drawing up of an allied plan for China comes long before chasing the mirage of a meeting with Mr Malenkov. Indeed, to agree on how to handle China is an essential step towards any ultimate talks with the Russians. To recognise and act on this fact will be the key to making the Bermuda meeting a success. For unless the three major western powers can first compose their own differences, they will be in no position to negotiate successfully with Moscow. That is the true purpose of the conference.

East and West over Five Centuries

ON May 29, 1453, the Ottoman Turkish Army began the general assault upon Constantinople, which it had besieged for more than seven weeks, and before the evening the Sultan Mohammed II entered the city and took possession of St Sophia. It is one of the principal historical boundary-dates. Historians of the Renaissance and the Enlightenment marked the end of the Middle Ages by the fall of the Roman Empire in the East, as they marked the end of antiquity and the beginning of the Middle Ages by the fall of the Roman Empire in the West. The capture of Constantinople was the prelude to the Renaissance, to the Discoveries, and to five centuries of the greatest material progress that mankind has known.

In a longer retrospect, 1453 is a memorable point in the fluctuating struggle between East and West, which goes back at least to Xerxes's invasion of Greece, and is continued in Soviet Russia's occupation of Eastern Europe since 1945. It is tempting to see the principal theme of history in this conflict between Asia, limitless, uniform and despotic, and Europe, small-parcelled, various and free—tempting because it suggests that Europe has always hitherto shown the greater social vitality and endurance. In 1453 the West did not possess even the technical superiority which it now regards as its birth-right. Mohammed the Conqueror took Constantinople because he disposed of the heaviest train of artillery the world had yet seen.

But the Turks struck terror in the West by effecting conquests of a radically new kind. The Ottoman standing army, the Janissaries, was an institution that seemed to pervert and condition human nature. Recruited from children who were taken as tribute from subject populations and educated in Islam, this *élite* was without any bonds of family or country, devoted only to a Sultan who would lead them in war-like enterprises. Constantinople was stormed by warriors of Greek, Slav and Albanian blood, fighters who truly had no fatherland; and the Ottoman dominions were likewise administered by statesmen of Christian and European birth. Thus the Turks turned the strength of every conquered people against itself, and transformed those who might have been liberators of their countries into instruments of the oppressor. Historical parallels are always dubious, but the illusion of Communist invincibility may be dispelled if the Communist party is seen in the perspective of the recurring institutions of human slavery—against the record of the Janissaries' organisation, their changing relationship with the Sultan whom they served or ruled, and the purges and massacres that punctuated and finally ended their history.

The Ottoman invasion of Europe transcended the political category: its significance was religious, ideological, a clash between civilisations. The West regarded the Turk with fear and disgust as a barbarian intruder; the Ottomans believed it was their mission to conquer the world for Islam. Then, as now, there were two embattled worlds with hostile religions. But the Turks were not only the spearhead of Islam; they were also, perhaps like the Communists, the political representatives and avengers of Orthodox Christians against their Catholic rivals. It was not the Turks who destroyed the Byzantine Empire and broke the millennial inviolability of Constantinople. That had been done by the Westerners themselves when they sacked Constantinople on the Fourth Crusade. And a year before St Sophia was turned into a mosque it witnessed the greater desecration of a Catholic Mass; the first minister of the Byzantine Empire declared that he would rather see Mohammed's turban in Constantinople than the Pope's tiara. The Orthodox Church is a shade-loving plant; an infidel secular power has been so recurrent a feature in its political ecology that it may be particularly well adapted to a totalitarian age.

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The politics of the defence of Europe against the Turks were religious politics. Religious motives overrode political ones, and political grievances found ideological expression. The West regarded the Ottoman Empire in Europe as a Christian *terra irredenta*, especially after the middle of the eighteenth century when Turkey was in decline and became known as "the Eastern Question"—that is to say, no longer a mortal threat, but a problem which the West could formulate in its own diplomatic terms, even if it was not agreed upon the answer. It was not until the Ottoman Empire had collapsed that the possession of Constantinople ceased to be an acute issue of international politics. To men like Gladstone and Freeman, the possession of European provinces by the Turk was a disgrace to Christians, and May 29, 1453, was the darkest day in the history of Christendom. They regarded the West and the Ottoman Empire as rival descendants of the Christian Roman Empire, whose coexistence was in the long run impossible; and they would have seen the fulfilment of a historical destiny when the two countries which had formed the core of the Ottoman and Byzantine dominions, Greece and Turkey, together became members of Nato.

Although Turkey was not formally admitted to the Western community of nations until the end of the Crimean War, the Ottomans had become a weight in the Western balance of power as soon as their position in the Balkans was consolidated by the capture of Constantinople. The infidel Turk was transformed diplomatically into the Grand Signior, successor of the Byzantine Emperor. Even before the notorious alliance of Francis I with the enemy of Christendom, the Italian governments had conspired freely with him against one another. France or the England of Elizabeth I could call in the Sultan to attack the Habsburgs in the rear, and the Habsburgs could invite the Sophy of Persia to attack the Sultan in the rear. The ideologically self-sufficient worlds of the sixteenth century were units in a wider, fluid, multiple arrangement of power. In the twentieth century the Communist bloc and the West are engaged in ideological conflict within the pre-existing framework of a single world-wide society of states, which they divide between them and where there are no available counterweights. This helps to explain the greater cohesion of the West in 1953 than in 1453. In 1453 the European states were materially and psychologically incapable of concerting even such resistance to the Turks as they later managed against Louis XIV. Crusading zeal was dead, and the prudential argument for collective security had not yet taken its place. The various athletes of Christendom, from Scanderbeg and John Hunyadi down to John Sobieski, were admired but not given much help. The same was still true of the age of Hitler. The greater degree of integration that the West has achieved against the Communist threat may perhaps be explained by the pressure with which each bloc grinds against the other in a bipartite world that can be flown round more quickly than Don John of Austria could sail from Naples to Messina.

The contraction of the world, and therefore of the scope for political manœuvre, is one of the greatest of the political changes that have occurred in five hundred years. Another is in the realm of political mood and temper. The fifteenth century saw the Ottoman menace through the haze of heroism and piety engendered by the crusading ideal. Foreign politics were romanticised: every prince was a martial Neville Chamberlain, wanting to meet the Grand Turk in single combat, or a chivalric MacArthur, yearning to smite the infidel and reconquer Jerusalem. This indeed is one of the reasons for their meagre success in resisting the Turks. In the twentieth century policies have on the whole become cooler and more pragmatic, reflecting the spirit of Machiavelli, who advocated a rational approach to politics even more clearly than an economical use of unscrupulousness.

But there is a deeper contrast: political empiricism has replaced religious belief. When Mohammed the Conqueror entered Constantinople in triumph, he dismounted at the doors of St Sophia, and kneeling on the ground poured dust upon his hair in token, at that supreme moment, of abasement before Allah. This is not the custom of contemporary war-lords and revolutionaries on entering their conquered capitals. In a religious age, even hostile and irreconcilable religions were united in recognition of human finitude and a transcendent power. Mankind has for the most part lost this primeval piety in the past five hundred years; in the end it was not a counter-offensive by Christianity but the secular force of nationalism that destroyed the Ottoman Empire. Whether men are freer and nobler in consequence is a question to which history itself gives no clear answer. Perhaps it is not in the nature of history to do so.

Soviet Satellite Seas

BY A CORRESPONDENT

WHEREVER it can, Russia has always sought to control a chain of satellite countries around its borders; and now they surround it like a layer of fat mitigating the rigours of the cold war. Soviet attacks on Swedish and American aircraft in the Baltic and Bering Seas, well outside territorial waters, encourage the belief that the Russians have now decided to complete the ring by the creation of satellite seas.

The First Lord's recent disclosure that the Soviet Navy is already the second largest in commission shows that such a policy need not fail through lack of adequate force; and it is no longer possible for a naval power like Britain to go on finding consolation in the complacent and unjustified view that Russia has always been and must remain a land power. Former Russian rulers have, in fact, been quick to grasp the essential principles of sea strategy. Indeed, the Volga-Don canal lately built and heralded as a triumph of "socialist construction" was the realisation, 250 years afterwards, of Peter the Great's intention to link the two rivers so as to be able to transfer his Caspian flotilla to the Black Sea.

What has usually been lacking in Russia has not been the will to exercise sea power. The Russians have been handicapped by restricted access to the sea and the competition of leading naval powers. They have also lacked industrial strength, adequate communications between their squadrons, and the easy familiarity with the sea that comes from possession of a sizeable merchant marine.

Most of these traditional obstacles are disappearing. Victory in the late war gave Russia a coastal perimeter of unprecedented scale. Its production of steel, coal and oil is now more than adequate for its naval aims. The handicap of poor communications is being overcome by development of the northern sea route along the coast of Siberia, and by a system of deep-water canals connecting the Black, Baltic, Caspian and Northern Seas and usable by naval units up to the size of destroyers. But the troubles caused by a largely landlocked and queasy human material still persist. They are reflected in a picture in this year's exhibition of self-taught painters of the Soviet Navy. It bears the

title of "Distribution of pickled cucumbers during a storm"—a recognised method of fighting seasickness.

Russia's intention of becoming a great naval power despite such obstacles has not been generally realised because on three occasions in this century—in 1905, 1914 and 1941—war has interrupted the programme. Thus the growing size of the postwar Soviet Navy does not so much break new ground as return to an old, though never fully effective, tradition. This time, however, an intensive programme of cruiser, destroyer and submarine construction is backed by a completely new industrial and strategic strength.

The political aims, too, are largely traditional, and much of Russia's effort may be seen as the pursuit of its basic naval objectives: the neutralisation of the Korean Straits, and the closing of the Black and Baltic Sea entrances to all powers who do not possess any coastline there. In the Black Sea, Russia overreached itself at the end of the war by asking for joint bases with Turkey on the Straits. The flanking operation of a civil war in Greece failed, and the Truman doctrine threw Russia on the defensive in the Black Sea. But in that new context the situation is not wholly unsatisfactory to Moscow, whose local primacy is not seriously challenged; and it is now Turkey that is prevented from making full use of its membership of the Atlantic Pact by the very Montreux Convention against which an expansionist Russia was so recently complaining.

The Baltic situation is much less satisfactory for the Russians and is clearly worrying them. Any attack on western Europe would be handicapped without control of this sea. Hence the sharp Notes sent in recent months to Denmark, the Nato power controlling the entrance to what the Soviet press now calls the "home waters" of the Baltic. Hence, too, the careful watch on movements of opinion in neutral Sweden, and the growing reports from Germany of Soviet naval and air developments in the Rügen Island and Szczecin areas. The attacks on Swedish aircraft well outside even the distended territorial waters claimed by the Russians speak for themselves. In the Russians' view, as stated in their "Handbook of International Law," the "Baltic powers" have the right to define the status of the whole of this "closed sea," including the Danish narrows, and specifically to exclude the naval vessels of all other nations.

In the Far East, the Okhotsk Sea became virtually a closed Soviet sea when Japan lost South Sakhalin and the Kurile islands after its week of war with Russia in 1945. Air and surface control of this sea is rigorous, and continues, as a result of Russian occupation of the Habomai Islands at the end of the Kurile chain, up to within a mile or so of the Japanese coast.

The Sea of Japan is, however, much more important for the defence of the Maritime Province, for overawing Japan, and for easy access to China and East Asia. The key to its control is the Straits of Korea. The Russians were quick to realise this and they have never forgotten it. They had no sooner reached Vladivostock in 1860 than they attempted to erect a base at the straits. The Russo-Japanese war of 1905 was essentially fought to decide who would control them, and was fittingly won and lost there.

Stalin said in 1945 that people of his generation had waited forty years to see the day of victory over Japan; but it was not until 1950 that he felt the time had arrived to take the substance as well as the trappings of victory and achieve the Tsarist aim of control of the northern shore of the Korean Straits. The Korean War can thus be seen as an attempt to gain a major objective of naval strategy, and it is perhaps a misfortune that, in the west, it has so completely been explained and dealt with in terms of regarding the Russians as mere "land animals."

Between west and east lie the seas of the Arctic, where the Russians as long ago as 1926 claimed "every discovered or undiscovered land" in a sector between the North Pole and the Norwegian frontier on the one hand and the North Pole and the easternmost tip of Siberia on the other. Lately the Russian lawyers had added to this an alleged Russian right to sovereignty over all the water and ice in this area. Four Arctic Seas —Kara, Laptev, East Siberian and Chukchee—are declared to be "closed seas" and the northern sea route is described as an inner waterway, and not an international highway. The only breaks in this chain of monopoly are the Barents Sea where, however, the Northern Fleet is being built up; and the Bering Sea, where American Alaska comes to within about fifty miles of Soviet territory.

Alaska has not unnaturally become something of a sore tooth with Soviet strategists; and Soviet press articles and comment leave no doubt that the sale of this province for seven million dollars in 1867 is now greatly regretted. It was the new Soviet Ambassador to China, V. V. Kuznetsov, who was reported by the Jugoslav Zujevic as being affected, during their return from the United Nations meetings in San Francisco, by a sight of a map of Alaska. "Kuznetsov began to curse the Americans, and I remember he said: 'That is ours, it's Russian: they took it from us, we'll take it from them.'"

Russia's present urge to surround itself with a belt of satellite seas is a natural reaction to a situation in which its potential enemies are sea powers. It is more economical to defend 15,000 miles of sparsely populated coasts by closing the adjoining seas and meeting opponents at their approaches, rather than by building vast and economically unproductive networks of strategic roads and railways, and dissipating manpower in isolated military settlements all over the Soviet Union. Behind these preparations lies the Russians' shocked discovery, in reports of the Normandy landings and Far Eastern operations, of the striking power that modern navies can deliver. As the implications have been absorbed, preparations to deliver or parry such blows have been speeded up; and published discussion of the subject has diminished with equal speed.

Notes of the Week

Commonwealth Assembled

After the Commonwealth premiers have drawn and acknowledged the plaudits of the crowds as they ride in their carriages along the Coronation route, they will get down to other business. They will have plenary meetings, and also, and possibly more usefully, informal discussions. There will be much to discuss. It has already been announced that Mr Nehru and Mr Mohammed Ali are to talk about Kashmir. African and Australasian problems suggest more than one regional *tête-à-tête*. New Zealand's candidature for the Security Council will give special importance to Mr Holland's talks with other premiers. Any indications which Dr Malan may give of Nationalist policy in South Africa, and towards the Commonwealth, will now be received with particular interest, and perhaps dread, by everybody else. Mr Nehru will be a key figure in discussions of the Russian reaction to the proposals for a four-power conference. The neighbour's view of the balance of forces in Republican Washington, which Mr St Laurent can give, will be of unusually close interest to his colleagues. Both in the affairs of its individual members and in those of the Commonwealth as a whole, the conference takes place at a critical moment.

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It looks as if the premiers will have to steel themselves to some disappointments. While Mr Butler can certainly report a better state of health in the Commonwealth balance of payments, there are some individual exceptions to the rule; aid to Pakistan may well be put forward as an essential interest of the Commonwealth. On the economic programme agreed at the last Commonwealth conference six months ago—the so-called plan for the convertibility of sterling—Mr Butler must report negative results. This programme was built round the proposition that the United States would quickly back a realistic scheme of self-help; since it is now plain that there must be, at least, a waiting period before the policy of the new Administration is at all precise, large modifications of Commonwealth policy will certainly be suggested. Trade expansion will be thought of more as a matter of relations with the European Payments Union, rather than as something that depends directly and immediately on American policies for trade liberalisation, aid, and overseas investment. The internal problems of Commonwealth development have become even more important than they seemed when the convertibility plan was being formed. But it is perhaps the issues of foreign policy that will command most attention—and on which the extraordinarily diverse group of men who are responsible for the destinies of 600 million people are likely to be at their best.

The Liberals' Future

It would be sad if history had to record that the last serious hopes of reviving the Liberal party disappeared during the festive summer of 1953. But time is not softening the blow administered at the Sunderland South by-election on May 13th. Here, if ever, there seemed to be a real chance of the Liberal party demonstrating its marginal importance: its intervention could reasonably be expected to deprive the Conservatives of a seat they otherwise had an opportunity of winning. Whether, as the Liberals hoped, the Conservatives would then have been sufficiently chastened to lend a more favourable ear to the case for electoral reform is a question that is now hypothetical. In spite of Sir Winston Churchill's sympathy, most Conservatives have argued for a long time that anything like the alternative vote would merely save the Liberal party from an otherwise inevitable and early demise. They regard the Sunderland result as a complete vindication of this view.

The Liberal poll fell from 5,604 at the general election of 1950 to 2,524 this month. It is a reasonable guess that of the surviving Liberal voters, some represent a hard but small core of people who would otherwise have abstained. No one can guess how the others would have divided between the two main parties if there had been a straight fight, but it seems most unlikely that their influence either way would have been considerable. If the Liberal candidate had not stood, the Conservative majority would probably have been very little different.

The Liberal party's realists have for long appreciated that it can become a Parliamentary force again only by inducing one of the big parties—which means, in practice, the Conservatives—either to grant a measure of electoral reform or else to make an electoral pact on somewhat self-effacing terms, giving the Liberals a batch of fairly safe seats without greatly circumscribing their freedom of action. The weapons by which the Liberals might gain either objective never looked powerful: they are now very weak indeed. Something could be done by the present Liberal members in Parliament, but for a variety of reasons they sadly fail to make their influence felt. The party is thus thrown back on its resources in the country. After Sunderland it will be even less anxious than before to fight by-elections. Yet the error lies not in fighting Sunderland but in the party's failure long ago to launch a systematic "nuisance" campaign carefully directed to the marginal areas. At the worst, this would have helped to keep Liberal voters steadfast; at the best, it might have attracted new support. Even now it conceivably could revive both the confidence of the Liberal rank and file and the fears of the Conservatives. But the obstacles are now bigger than ever, the Liberals' resources—human and financial—have fallen desperately low, and time has run terribly short.

Minuet in Paris

SINCE the war French politics have been desperate if not always serious. Seventeen governments have succeeded one another, ranging from M. Queuille's record-breaking tenure of office from September, 1948, to October, 1949, to the same premier's three-day regime in July, 1950. The fall of M. Mayer last week has started yet another round in the formal and quite meaningless game of finding a prime minister. One after another, M. Mollet of the Socialist party and M. Diethelm of the Gaullists have refused to try to win a trip to Bermuda. As *The Economist* goes to press, M. Paul Reynaud is testing the very sticky wicket with the determined air of a man who would like to change the rules altogether. M. Reynaud brings with him terrible memories of the 1940 disaster, during which he was in office, and his present task shows how little France has learned from the recent past.

The unexpected fact that M. Mayer was overthrown by an absolute majority, and that a repetition of this event would entail the dissolution of the National Assembly, makes the problem of finding a new government particularly difficult. The deputies disagree on everything except the desire to keep their jobs, and this means that they may have to bear with the next premier for some length of time. No prospect could be more dampening to the French political mind. Few people in France care in the least about what goes on in the Assembly; the latter therefore tends to consider the practice of government as a private and occult game. Now, however, it is facing the possibility of dissolution and of having to appeal to a bored and ironic electorate. Every attempt will be made, therefore, to find a government with some chance of survival.

Whether or not this can be done is fundamentally of little importance. It is increasingly clear that France is ungovernable in the normal sense of the word, and that a parliamentary body which cheerfully dismisses a government on the day of the announcement of the Bermuda meeting is little more than a debating society. Indo-China continues to be an open wound and the North African situation is a powder-keg. It is doubtful whether the European Defence Community treaty will ever come up for consideration in the Assembly, yet no alternative has been proposed by a country which still claims a share of leadership in Europe. Instead of trying to face these immense problems and presenting them clearly to the nation, the Assembly has brought down successive French governments over the question of taxes on home-distilled alcohol or fractional cuts in an ever-mounting budget deficit. Rarely has a great, if somewhat anarchic, people been so badly served by its representatives.

Communist Germany's Strategy

THE optimists who believed that Stalin's successors would make concessions in Germany have been confounded by the latest statements made by Soviet German leaders, as well as by the most recent declarations in *Pravda*. While *Pravda* declares in familiar phrases that Russia "still intends to establish a "united, peace-loving, democratic Germany," Ulbricht and Grotewohl have removed any hopes that this might mean something less than a Marxist Germany, attached to the Soviet Union. There is no sign in any of the recent German Communist speeches that Malenkov might abandon the East German regime and agree to genuinely free elections as proposed by the western powers in their Notes of last year. The indications are indeed all in the other direction.

On the occasion of Marx's birthday anniversary and other celebrations, the Soviet German leaders have reiterated that the future "democratic" Germany is to be established by the violent overthrow of the Bonn regime. And the Pieck Republic is intended to be the model and operational base for the revolution in Western Germany. Far from slowing down the sovietisation of the Russian Zone, this process is being urged on, with intensified persecution of class enemies and the Churches. Ulbricht has repeated that the first stage—the dictatorship of the proletariat—has already been achieved in the Pieck Republic and that everything must now be done to accomplish the next stage, that of transition to a socialist state modelled on the Soviet Union.

This state is to be "the centre of the patriotic education of the German people and the strong base of the National Front," that is, to win Western Germany. It is affirmed that "friendship with the Soviet Union is an inseparable part of genuine patriotism," and Grotewohl, the East German premier, declares:

> The decision to create the foundations of socialism in the Democratic Republic has raised the struggle for German unity to a higher level. In this gigantic conflict, the German working class, led by its Marxist-Leninist party, is executing the will of the great German scholars and revolutionaries, the valiant champions of a united and indivisible Germany, Karl Marx and Friedrich Engels, as well as the leaders who developed their idea, Lenin and Stalin.

The German Communists envisage that their struggle for Germany will be a long one, and they constantly reveal that they have two great tasks to overcome. These are to combat the Social-Democrats and to force progress in the economic field. It is worth recalling as evidence of the direct effect of western restrictions on trade with the Soviet bloc that the German Communist leaders, revealing that industrial production has fallen in the zone by 10 per cent during the first quarter of this year, quote Stalin's dictum that "political work without economic successes is purposeless."

Investigating the Investigators

PUBLIC impatience with the Monopolies Commission is generally concentrated upon the unconscionable time that the commission takes to investigate and report upon the subjects referred to it by the Board of Trade. The Select Committee on Estimates—which may be said to be in somewhat the same line of business—concerned itself mainly with this question of time when it examined the operations of the commission early this year. But the recommendations appended to its report do not offer much hope of speeding up the highly respectable slowcoach.

No monopoly report has so far taken less than eighteen months to complete, and the average period has been something over two years; the latest report, on matches and match-making machinery, was incidentally delayed for an additional six months before being published by the Board of Trade. The investigations of the commission have tended to fall into three sections: a general study of the industry; an investigation by accountants of its finances and costs; and consideration by the commission of "the public interest aspects of the case" (which usually involves hearings at which the industry is represented, often by counsel). The factual study is carried out by the commission's staff, which is mainly drawn from civil servants, and the costing inquiries by its own accountant, sometimes assisted by accountants from the Board of Trade. Each process of factual inquiry is supervised by a panel of commission members; but consideration of the public interest is, necessarily, the responsibility of the commission as a whole.

This function of judgment is, inevitably, the bottleneck in the commission's present procedure; and the Select Committee's suggestions—that one full-time member might be appointed and that private firms of accountants and perhaps industrial consultants might be employed—hardly affect it. These might speed up the fact finding; they would perhaps deploy rather more familiarity with business practice, and knowledge of what to look for, than the present staff can bring to bear. But any radical increase in the speed of judgment—without reducing the care the commission can give to this task—would probably necessitate a radical change in the constitution of the commission, perhaps separating the judicial function from that of fact-finding. These are, however, difficult decisions; and the new type of inquiry into exclusive dealing practices, which the commission's chairman thinks "is very much simpler" than studies of single industries, may suggest alternative forms of improvement for British legislation against monopoly.

Remaking Nigeria

THE inevitable sequel to the crisis in Nigerian politics—a round-table conference to redraw the 1951 constitution—was announced by Mr Lyttelton in the House of Commons last week. Nigeria's federal constitution, following a forty-year period of administrative centralisation, gives to the centre all powers not reserved to the regions, and in that respect is far more centralised than the federal organisation planned for the Caribbean or Central Africa. This, it is now clear, presupposed a degree of mutual trust among the Nigerian peoples and creeds that does not yet exist. It might have worked, and proved a unifying influence, if the nationalists of the Eastern and Western regions were prepared to move more slowly towards full self-government: it is their eagerness to grasp sovereign powers which has produced what may fairly be called northern Pakistanism—though their own explanation is that the separatism of the North is simply a British device to perpetuate imperialism.

The Northern province has equal representation in the central legislature with East and West combined, but it is educationally backward and fears that self-government would therefore merely replace British by southern Nigerian, principally Ibo, rulers and administrators. Its instincts are the same as those of the Nyasas faced with the prospect of settler rule, or the southern Sudanese faced with the prospect of Muslim rule; it prefers by far the Colonial Office it knows. Since the southern nationalists resigned from the Council of Ministers upon their failure to force through the "self-government by 1956" resolution, Northern tempers have been rising, and the attempt by Mr Awolowo's nationalists to preach their doctrine in the North itself touched off the recent violence in Kano.

But a breakaway by the North would be a bad augury for British policy in Africa, which is to build viable modern states from separate peoples, cultures, creeds and even colours. Partition is, indeed, a confession of failure in the federal solution of this problem. The round-table conference has been proposed, but it is by no means sure that the invitations will be accepted. Perhaps, however, it will weigh with Africans of all parties in Nigeria that if they cannot work as a team, and build up what would be the largest black state in existence, they will give much pleasure farther south.

Benelux at Breaking-point?

PUBLIC demonstrations in Belgium against the tariff union with the Netherlands reflect the underlying tensions in this cold courtship. At present the Belgians are the unwilling partner; yet there does not seem to be any overwhelming national reason for their present reluctance. It is true that Belgium has had an adverse trade balance in the past nine consecutive months, but foreign exchange reserves remain adequate. The balance of payments with Holland, on the other hand, continues to run in Belgium's favour. Business conditions are satisfactory and unemployment at less than a quarter of a million is below the yearly average. The objections have come from sectional interests: high-cost manufacturers troubled by Dutch competition and agricultural interests already receiving special consideration in the Benelux agreement.

The advantages of Benelux are appreciated by both sides. A steady expansion of mutual trade has raised the proportion of Belgium's share of Holland's total imports from 11½ per cent in 1938 to 17 per cent in 1952. The respective proportions for Holland's trade with Belgium are 8.9 per cent in 1938 and 13.5 per cent in 1952. The critics point to two considerable problems: the divergent wage-price levels in the two countries, and the absence of a co-ordinated fiscal system throughout the area. The Belgians complain that Dutch Crippsian austerity has battened wages at a level below what is tolerable in the predominantly free-enterprise Belgian economy. The Dutch point out that it is the Belgian wage level which is out of step with the rest of Europe. They maintain that the Belgian failure to modernise and re-equip their industries since the war accounts for the greater competitive strength of Dutch industry. The juxtaposition of the two countries' wage levels since the war is remarkable—in 1938 Dutch wages were half as much again compared with Belgian wages; the position is now almost exactly reversed. The Belgians would like to see Dutch controls lifted in the belief that the Dutch wage-price level would drift up towards Belgian levels; but—astonishingly enough—Dutch trade unions

are against a general increase in wages, for fear of the effect on exports and thus on employment.

The Belgian government, while favourable to the idea of Benelux, has had to bow to public pressure. With the reluctant agreement of the Dutch, the transactions tax on a range of imports was increased on March 11th, and adjustments made to the luxury tax. In effect this change gives concealed protection to a number of Belgian industries. The Dutch are in the mood to make concessions to help their limping partner over the stile; but they are anxious for tangible evidence of Belgian self-help. Should the unfavourable balance of payments trend continue, Belgium will, in any case, be forced to face some unpleasant medicine.

Atomic Bertha

On Whit Monday the first atomic shell was fired in Nevada, and observers in Las Vegas, seventy-five miles away, debated just what shape the cloud had which ushered in the new artillery age. The atomic cannon, an eighty-five ton self-propelled affair with a forty foot barrel and the capacity to fit into a landing ship, is obviously a triumph of military engineering. It is the development of an atomic shell, however, which has raised the most problems. Every time such a shell is fired, moreover, $3 million goes up in smoke and 90 per cent of the fissionable material goes to waste. The prototype fired this week explodes with a force equivalent to about fifteen thousand tons of TNT, which is less than that of the two atom bombs dropped on Japan and only about half of the force unleashed by more recent types of atom bombs. The Army claims, however, that the atomic cannon is extremely accurate up to a distance of twenty miles.

Is this the strategic weapon which western commanders have been calling for as the logical means of defence against enormous numerical masses of infantry? That depends on just how mobile such a large cannon is—at present very few bridges could carry its weight—and on whether or not the problem of crossing a belt of radio-activity has been solved for ground troops. The answers to both these questions are, of course, secret, but there are hints that atomic weapons, at least those wielded from the air, are not the conclusive response to the challenge of mass infantry attacks. The development of an American atomic cannon poses two further questions: will the Pentagon be willing to send some of these guns abroad short of an absolute emergency, and if so, will the other members of Nato be allowed in on its secrets? Decisions will have to be made about common training and planning before atomic artillery can be reckoned in the actual balance of opposing forces.

State of the Roads

Questions to the Minister of Transport on the state of the roads, and the need to improve trunk roads or build new ones, produced the stock answer last week: the work will be ultimately carried out as planned, and "ultimately" means when the economic position of the country improves. The state of the roads represents, in fact, the largest backlog of potential pump-priming activity in the country. The Select Committee on Estimates has recently reported upon the strict control of expenditure which limits both new construction and repair, and has repeated the opinion of the chief engineer to the Ministry of Transport that "the trunk and first class roads are probably at least as good as they were before the war"; second and third class roads were deteriorating, though not dangerously. Other authorities, however, took a much gloomier view.

Payments out of the Road Fund for trunk roads and in grants to highway authorities (for other road maintenance) have in fact increased in recent years—from £25,987,000 in 1947-48 to an estimated £33,594,000 for 1953-54. But costs have also risen considerably, and so has the rate of wear. According to the Ministry of Transport's new report on London traffic the number of vehicles in the country—which must include a growing proportion of heavy commercial lorries—has risen from 3,000,000 in 1938 to 4,500,000 this year, and is now increasing at the rate of 250,000 a year. There are, in fact, 25 vehicles for every mile of road, trunk, second and third class, and 1½ vehicles are added per mile of road every year. It is, indeed, very clear that the road system is becoming gravely inadequate for the traffic which the country is loading on to it.

The Select Committee could do no more than make suggestions which might palliate the situation, more especially suggestions designed to avoid waste of land and money and give highway authorities more elbow-room in making minor improvements. But the cost of a congested road system is heavy. The accident rate has recently risen again. Traffic delays, though hard to cost, must be a growing expense. In inner London itself the Ministry's report predicts that traffic may come to a complete standstill unless major road improvements (the last were done in 1905) are undertaken. It can do no more than list further palliatives although "almost every conceivable palliative has been suggested and tried." In all this there is nothing new; but it is increasingly clear that a large investment in road improvement would bring a large return in national efficiency.

Saving the Houses

The Minister of Works has announced that the Government is preparing a Bill to authorise his Ministry to pay grants to the value of £250,000 a year to maintain historic buildings; a further £500,000, spread over five years, is to be used to buy such houses as would otherwise fall down. This latter sum is to come from the National Land Fund. These two actions are welcome signs that the Government has taken seriously both the Gowers report and the concern voiced by the House of Commons in February's debate—a concern which was recently expressed once again by the House of Lords.

Unfortunately, as Lords of all parties had no difficulty in demonstrating, such sums will save a mere fraction of the national works of art which are now perishing at a

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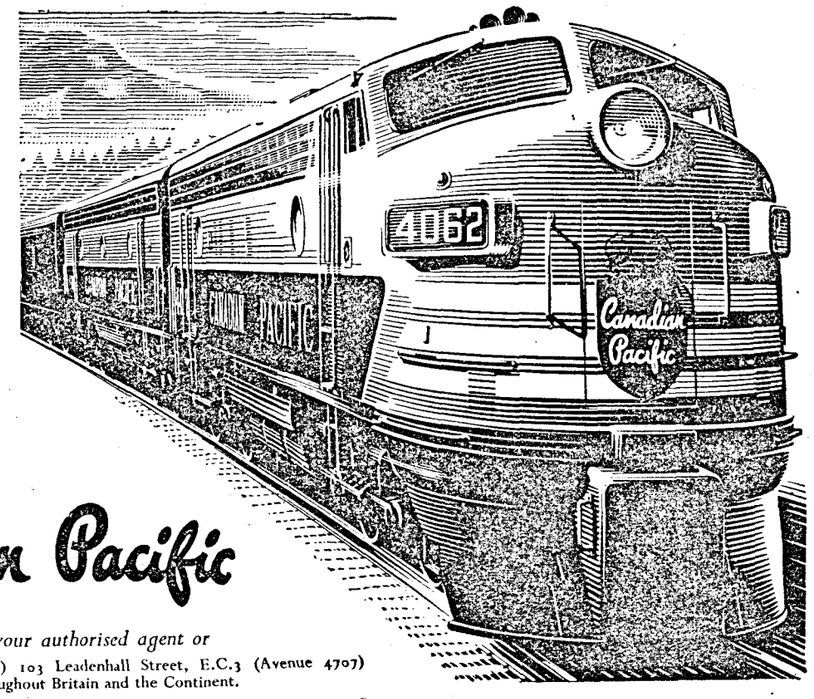
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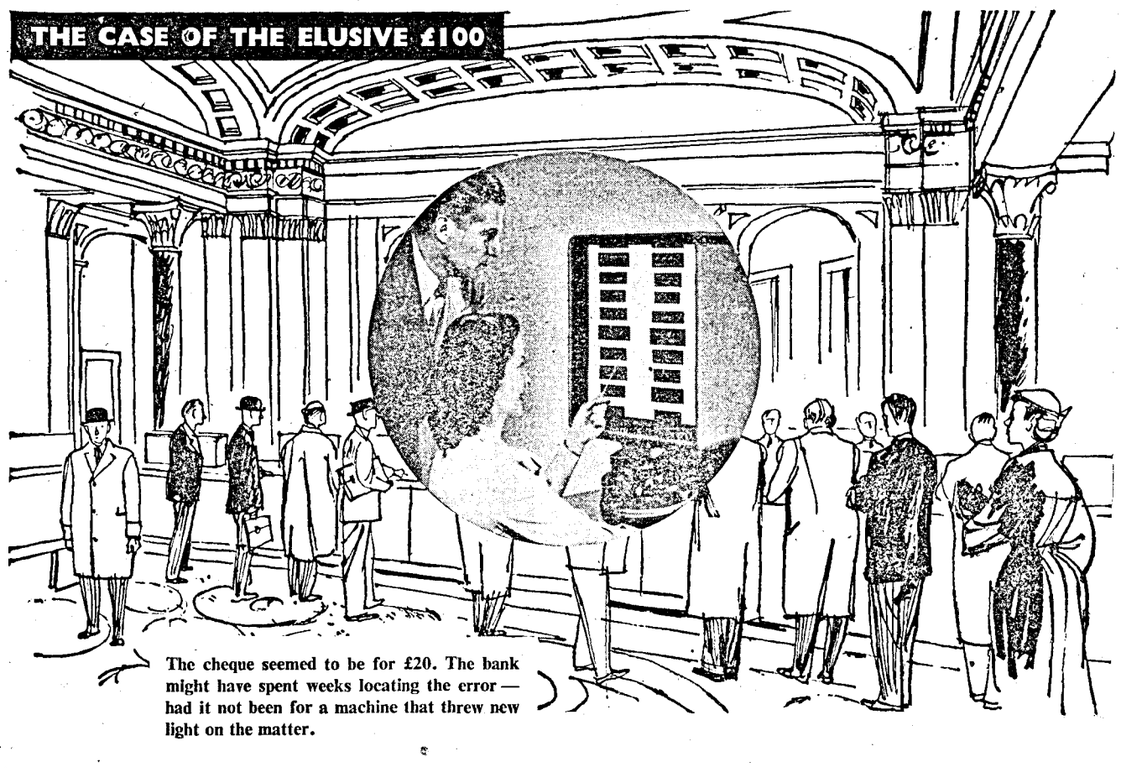
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rapidly increasing rate. The annual grant has been estimated by the Ministry of Works as sufficient to preserve the best 50 or 100 of the 2,000 houses whose preservation was urged by the Gowers committee. To save them all would cost perhaps £10 million a year, and in those circumstances most of them must be regarded as doomed as hopelessly as the House of Usher. Lord Silkin was prepared to go as far as £2 million—the interest on the Land Fund. Other suggestions included exemption from rates; there seems little hope, however, that any government would dare to grant tax reliefs for the upkeep of these houses, the decay of which is directly related to the £184 million a year which the Exchequer is drawing in death and estate duties.

The upkeep of these houses, of which only a few have alternative uses or could be suitably converted, represents in fact a large private and public investment in art. The difficulty in finding the money is simply an expression of the nation's preference for other forms of recreation than the enjoyment of art. It should surely be possible, by a variety of provisions, to keep the best of the historic houses in existence, but until the electorate evinces a marked preference for admiring them to other forms of amusement or amenities, large sums of money will hardly be forthcoming.

University of Salisbury?

THE report of the Commission on Higher Education for Africans in Central Africa marks one more stage in the process of setting up university institutions in the colonies. This process has been going on steadily since the Asquith Commission reported in 1945; in Central Africa, the need for a university suddenly became urgent because of the Union Government's decision in 1950 to admit no Africans from outside the Union to South African universities after the end of this year—a decision which arose from the shortage of places for Africans resident in the Union.

The Carr-Saunders commission was thus solely concerned with matters affecting the successful establishment of a university in Central Africa. It was not a by-product of the federal scheme, and its recommendations were so framed that they could be accepted whether or not federation of the three territories came about. But quite independently of its own appointment a trust had been set up in Southern Rhodesia to found a university there, and last year an Act was passed establishing an inaugural board and prescribing the university's constitution. The commission had, accordingly, to determine whether this project, for which a great deal of local enthusiasm had been generated, could be fitted into its own conception of a university for Central Africa. With one exception, the members decided that it could, provided that it conformed to certain principles considered essential by the British university world: freedom from government control, and the admission of students without regard to race and without racial segregation in the use of academic facilities.

It is in the light of this report that the statement made by Mr Lyttelton in the last federation debate should now be judged. Does Sir Godfrey Huggins's willingness that the Central African university should be multiracial mean that those responsible for the Salisbury institution accept the full implications of the Carr-Saunders report? If so, they will evidently have to seek an amending Act, since the present one does not give the university full autonomy. They will also have to choose a new site, for the one granted to them would not be practicable for building a university to take eventually 2,000 students with full racial equality. But if the full implications are not accepted, presumably the future federal government will then accept the commission's alternative proposal—that an institution conforming to British university traditions should be founded at Lusaka. One member of the commission is pessimistic enough to suggest that energies should be concentrated at once on an institution at Lusaka. Besides wasting resources, this policy would mean abandoning a fine opportunity to break down racial boundaries. The Carr-Saunders commission was naturally not concerned with this. But all those who wish the new federation well must hope that the commission's Salisbury proposals will be adopted.

Russian Sales

A SIGNIFICANT feature of *Pravda's* latest *tour d'horizon* was the inclusion of the Soviet public as an interested party in the negotiations now taking shape. At several points in the article, reference was made to those passages in the Prime Minister's speech that have aroused interest or expectations among Russian readers, and their stake was stated plainly at the beginning:

> Any step forward towards the settlement of disputed problems would reduce the danger of war, assist the reduction of the arms race which is ruinous for the nations, and relieve the situation of millions of people. Conversely. . . .

Thus the new Soviet rulers are now beginning to make it clear to their subjects that the promised improvement in their standard of life is largely dependent on the success of international negotiations.

Meanwhile, in addition to the recent cut in retail prices, the Russian housewife has now been offered two welcome presents. One is the announcement of cut-price sales throughout the Soviet Union. Slightly soiled or outmoded consumer goods are to be sold at 25 per cent below the normal price. This is news indeed for Russia, where sales have been unknown hitherto. Consumer goods have been too scarce for the whims of fashion to have any influence on the purchaser. Another move which also shows either the availability of large stocks or expectations of increased production is the freeing of sales of wheat flour. Housewives will now be able to buy it every day at official prices in state-owned stores. Previously wheat flour was sold in state stores only four times a year, and otherwise it could only be obtained from collective farmers at much higher prices on the free or so-called collective farm market.

These moves are clearly in keeping with the promises of the new regime, but they are based on past achievements rather than on radical changes in the structure of production. The new rulers seem to be waiting for a clearer international picture before binding themselves to radical

changes in economic policy. For the moment they have neither proclaimed the budget for the current year, nor announced the results of plan fulfilment for the first quarter. They may well be preparing spectacular surprises.

Help for Children

THE forthcoming meeting of Uno's Economic and Social Council will discuss the future of the International Children's Emergency Fund (UNICEF), whose present mandate ends this year. This fund was set up in 1946 primarily to help restore and expand the child welfare services of Europe's war-devastated countries. Its record of practical achievement since that time has been impressive: over 60 million children in 84 countries and territories have benefited from one or more of its campaigns against tuberculosis, malaria, venereal and other diseases, or from its emergency feeding programmes. The fund is financed largely through governmental contributions, but on a voluntary basis ; the assisted countries, moreover, subscribe matching sums as great as, and often greater than, those provided by UNICEF. By this means the direct interest of each receiving government has been engaged, and the evident benefit to its country's economy as well as to the health of its children has stimulated further independent action.

Since 1950, emphasis has shifted from emergency relief in Europe to long-term aid for children in the underdeveloped areas of Asia, Africa, the Eastern Mediterranean and Latin America, whose needs have become the prime reason for UNICEF's continued existence. It has been suggested that the fund should now be transformed into a fully fledged specialised agency of the United Nations, in line with Unesco, the Food and Agriculture Organisation and others. This, however, would involve an expensive administrative and budgetary reorganisation, and, if the previous experience of other agencies is any guide, would risk the aggrandisement of its present modest international staff of 120 persons at the expense of its practical work. The fund's merited reputation for efficiency and economy would surely be best rewarded by continuing it on the present basis, if not indefinitely then at least for another three-year term.

Perón, Plots and the Press

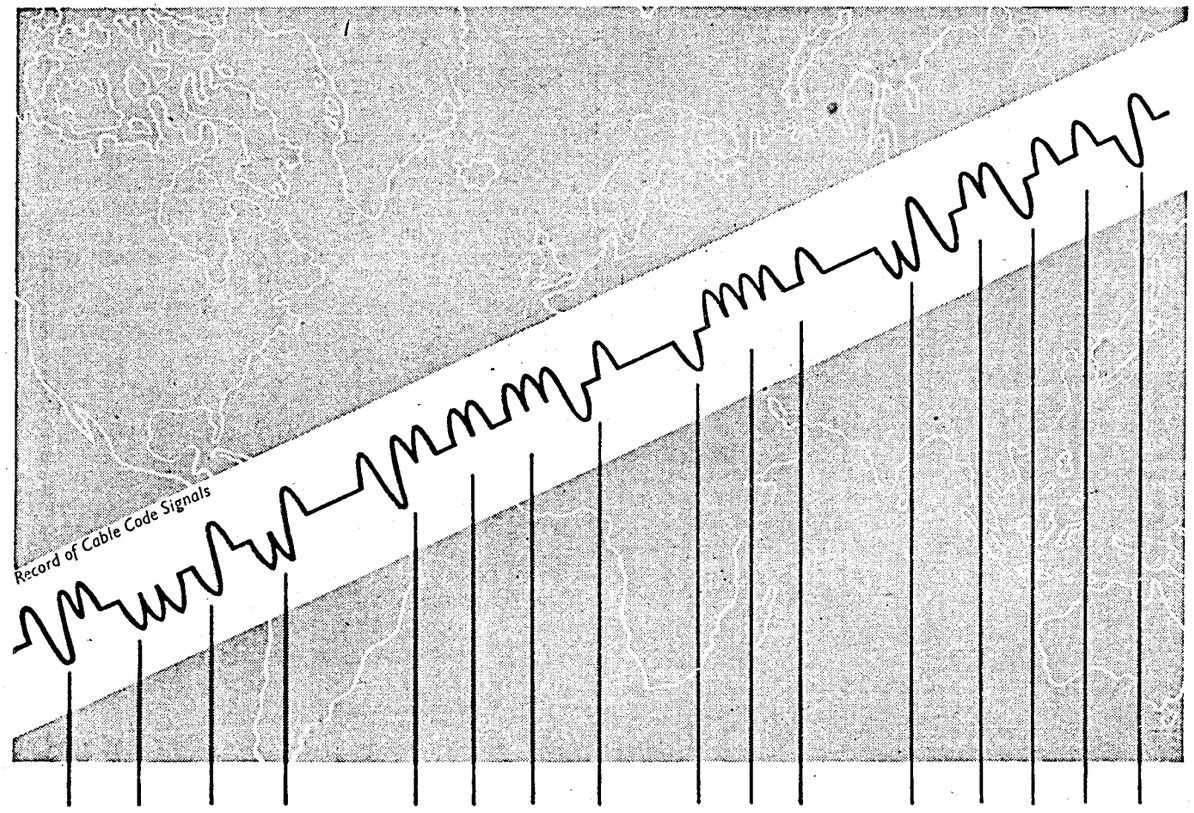
WHOEVER has been responsible for the numerous bomb explosions in Buenos Aires in recent weeks—explosions which for the most part have been singularly, almost pointedly, innocuous—there is no doubt that they have come at a very convenient moment for General Perón. If, as the Argentine police now claim, the bombs were jointly planted by opposition groups ranging from Socialists to Radicals and ultra-conservatives, it would seem that the anti-Peronist forces have not only proved able to co-operate to a degree never before recorded, but have also chosen to unite on a plan of action which could hardly be more advantageous to the government. The explosions have been followed by a sweeping round-up of opposition leaders of almost every political shade, with, apparently, the interesting exception of the Communists, and the excitement they generated has effectively served to distract public attention from the country's continuing economic difficulties. Thus, within a fortnight of the now famous mass meeting on the Plaza de Mayo, at which the President was supposed to explain his plans for dealing with rocketing living costs and scarcity of food, General Perón was able to announce that the economic crisis had been overcome.

However, his simultaneous action against the offices in Argentina of the American news agencies gave a fairly precise indication of the real state of affairs. The charge levelled against the agencies by the Peronistas was that they had not merely disseminated false reports about Argentina's economic problems, but had done so in order to "prevent our sister nations from signing treaties of union." This goes very near to the bone. It is undoubtedly true that several smaller South American republics, which at one time looked like being sucked into General Perón's orbit, have drawn back in recent months because they saw only too clearly the straits to which the General's economic policy had reduced his country. Attacks on independent sources of news are not, however, likely to revive their confidence ; indeed, newspapers in various parts of Latin America are already prophesying that an "iron curtain" will soon be lowered around Argentina—and drawing the appropriate conclusions.

Government and Press

The Press is simply the voice of the family, the council of the aged, the opinions of the assembled barons, a mere mechanical contrivance as suitable to the present large boundaries of States and their numerous populations as assembling the whole family in a hall to consult was in the patriarchal times, in order to learn what all had seen, and what all knew, and what all advised. To suppress the opinions of one class, is to shut out a part of necessary knowledge ; to lay restraints on the expression of the opinions of all classes—to place fetters on the Press—as is proposed by Santa Anna [in Mexico], as is done by Louis Napoleon, and . . . the Government of Austria—is simply for the Government to shut out knowledge from itself, and endeavour to carry on administration without learning the means by which it can be done. Nobody doubts for one moment that society in France, in Austria, and in Italy, as well as in England, is different from what it was a century ago ; and that difference has been gradually made known, as it arose, by journalists, scientific men, and observers of all kinds. Society will continue to grow and to change. It grows differently and changes differently in different countries, which can only be known by communication. The Governments under which the Press is free, as in England and the United States, being better informed of the condition of their own society and of other societies, are the most successful, both in preserving tranquillity at home and extending friendly relations with all nations abroad. Thus, self-interest—the wish to do their duty and to acquire the means of doing it—should make Governments anxious to promote and confirm, not restrict and destroy, the freedom of the Press.

The Economist
May 28, 1853



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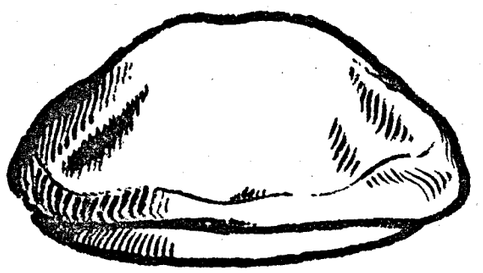
"Hullo Susan! I don't suppose you've seen *me* before! I'm one of the chemical family by the name of Hydrosulphite. No, no, not doll-fight . . . look, you'd better call me by my trade name, *Formosul*. What am I? Well, I'm the chemical that's put in the Paste that makes it possible to print the Spots that cover the Frock that YOU wear. There's a *tremendous* lot of me made these days . . . and mostly by a firm called Brotherton. They make enough of me every hour to print simply thousands of frocks. More than all the other Chemical companies in this country put together. Why, Brotherton's are one of the biggest manufacturers of certain chemicals in the whole world!"

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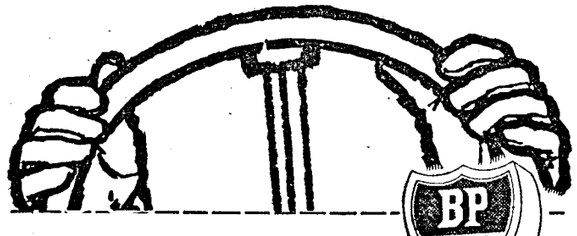
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Letters to the Editor

The Unfree Health Service

SIR—I fear the quickness of Mr Macleod's hand has deceived your eye in the matter of dental charges, which have done far more harm than good.

It is true that the number of children seen by private dentists has increased by 180,000 a quarter. But if you examine Mr Macleod's recent statements carefully you will find, not exactly displayed but at least imperfectly concealed, that this has been accompanied by a reduction of 493,000 in the number of adult cases (or courses, as Mr Macleod prefers to call them). For every 4 extra children brought into the surgeries, 11 adults have been pushed out.

Are we really to put out more flags to celebrate this example of rationing by price? Surely it is obvious that this sudden and massive reduction in adult courses must have inflicted much hardship.

For this exclusion by cost has been selective in a most undesirable way. None of it has fallen on the relatively well-to-do, who are used to paying for treatment. Most of the victims are:—

(a) Middle-aged people in the lowest income groups who cannot raise £4 5s. for dentures; or

(b) Young workers in their twenties who grudge £2 a year for conservative treatment, and are now letting their teeth rot.

Are not these two groups also priority cases, or very near it?

Maybe the charges might be defended on grounds of pure economy, but it is ridiculous to claim that their main if not their sole effect has been to guide, as by a hidden hand, little children into the surgery. I would not say that Adam Smith would be surprised, for what did he ever expect of Ministers except folly and presumption?—Yours faithfully,

Liverpool L.D.S.

Gold and the Gap

SIR—It is unfortunate that your note in your issue of May 16th on Mr Harrod's paper for the IMF comments only upon the question of the gold price, because by dealing exclusively with his weakest point justice is not done to his otherwise excellent paper.

Indeed, the importance of the price of gold is somewhat overstressed in Mr Harrod's paper. He points out that if gold production outside USA had increased in line with production and trade generally, and if the dollar price of gold had been raised in line with the dollar price of goods entering international trade, the annual value of gold production would have exactly covered the recent annual US surplus on goods and services. However, it should be added that in the late thirties the annual value of gold production covered this annual surplus more than threefold. It follows that other factors have been far more important in causing the gap than the lag in the gold price in relation to goods.

Mr Harrod also does not take account of the fact that South Africa, the major gold producer, is no longer a member of the sterling area as far as gold is concerned. Its gold contributions to the sterling pool are a result of special arrangements with Britain and have recently amounted to only 50 per cent of its annual gold production. It is likely that in return for British support for a rise in the gold price South Africa would be willing to increase its gold contributions, and that larger dividends of British-owned South African gold producing companies would facilitate the transactions. But its gold contributions would in the long run mainly depend upon a considerable increase of British exports to South Africa. Even if allowance is made for such an increase in British exports it seems unlikely that South Africa's contributions to the sterling area's gold and dollar pool would exceed 50 per cent of the increased value of its gold production.

Admittedly, even this would alleviate the British dollar position considerably. But it still seems doubtful whether the subject of the gold price should be "hammered home in Washington as a case where American monopoly buying power has had undesirable consequences." The prewar situation was indeed absurd, and an increase in the gold price would lead to continued useless accumulation of gold in Fort Knox, while increased exports from the United Kingdom to South Africa might be at the expense of British exports to the dollar area. It is certainly questionable whether American aid in the form of a higher gold price which would mainly benefit the gold producers is better than an equivalent sum devoted to facilitating the necessary real adjustments in Europe's economies. Moreover, since other factors have been more important in causing the gap than the decline of the gold price in real terms, an increase in the gold price would merely act as a palliative. It would seem better to hammer home in Washington more "economic" measures, such as tariff reduction and foreign investment—although prospects are rather hopeless at present—than to deplore that an absurd situation was abolished in the course of events instead of by an act of deliberate policy.—Yours faithfully,

S. TALMA STIEEMAW

Cambridge, Mass., USA

Prefabs for Export

SIR—In your article you have concentrated primarily on the part played by wooden buildings in the export drive; to balance the picture, may I point out that metal framed buildings are playing an equally important part and have several advantages?

The bungalow with an aluminium framework and walls of aluminium sheet, glass silk and hardboard, has an insulation value greater than a normal 11 inch cavity brick wall; it is light in weight and, packed "piece-small," occupies little space in transit; the simplicity of the bolted construction means that unskilled native labour can be employed in erection and the metal is completely impervious to termite attack. Also, in hot climates, the reflectivity of the aluminium sheet is of great value in maintaining cool interiors and, if desired, the whole building may be dismantled and moved to a new site.—Yours faithfully,

Slough PETER STEVENS

New Reign in Iraq

SIR—I find myself completely in agreement with your special corespondent on the subject of the Development Board. What is needed is a board with the imagination to "waste" a certain amount of money—and are there not millions to spend?—on schemes which will prove to the citizens of the big cities that things are happening that are benefiting them. At present the masses have no reason to doubt that the oil royalties are passing into the pockets of the privileged classes.

But is your special correspondent not unjust to the Creator in the story which is quoted in the opening paragraph? Surely the Creator, however senile and out of touch with the atomic age, must remember that it was in Mesopotamia that He created the Garden of Eden? It is more likely that He said: "Yes, this is just what the country was like after Adam had been farming it for a bit."—Yours faithfully,

Limassol, Cyprus RALPH POSTON

The English Village

SIR—Your review of the book "The English Village," by W. P. Baker, is liable to give an erroneous impression about the "virtual disappearance of handicrafts." If by this is meant blacksmiths, wheelwrights, thatchers, saddlers, basket makers, potters and a host of similar craftsmen, it may be of interest to your readers that the Rural Industries Bureau knows of no fewer than 13,000 such businesses in England and Wales alone. We have estimated the total of employed people somewhere around 35,000 men and women and their total gross output is in excess of £30 million per annum.

Most of these small country businesses are prosperous and are successfully endeavouring to keep pace with the times by technical modernisation.—Yours faithfully,

London, S.W.19 O. W. LIPTON

Books & Publications

Neither Marxist nor Liberal

THE BOLSHEVIK REVOLUTION, 1917-1923. Volume III.

By E. H. Carr.

Macmillan. 614 pages. 36s.

FOR the student of Soviet Russia's history there is now a hard and straight road where before there were only tracks. It is a narrow road, but there are magnificent views from it. Mr Carr, one hopes, will go on clearing and laying and rolling; for he has stopped at 1923 and there is fascinating country ahead. It is important that one day the teachers, thinkers and journalists of the West should be able to travel fast and freely in Soviet history between 1940 and 1917—and back. The achievement is already memorable; but it could become outstanding.

This volume, which completes the first part of Mr Carr's "History of Soviet Russia," deals entirely with foreign policy. It reads more easily than the previous volumes, but it is still a severe test of memory and concentration. One is taken along remorselessly, rather as if a judge were summing up at the end of a long and difficult trial. The judge is neither Marxist nor liberal; he is a Carrist. The facts are assembled, the pattern of events appears, and the motives of personalities and parties are elucidated; and yet, from the story of this fascinating period, beginning with German brutality to Russia at Brest-Litovsk and ending with hard-headed Soviet-German handshaking at Rapallo, the people and the events emerge with no voice or colour. One thinks of what Carlyle would have made of the first meeting of the Comintern, or of such characters as Trotsky, Chicherin and Radek. For Mr Carr keeps his imagination—and his political and moral judgment—on a tight rein. He has no word of reproof for Lenin's deviousness; he states as ice-cold facts the hypocritical attitudes of the Comintern, the Russians' fumbling policies with the German Left, the stubborn misunderstanding of what trade unionism meant in the western working-classes. Perhaps he feels that so much of what is happening today has its roots in the events of 1917-23 that each reader will bring to bear enough contemporary emotion to make his cold narrative more dramatic.

Mr Carr is clearly sympathetic towards — sometimes sorry for — the tough, brilliant and tireless men who consolidated the revolution. Within six years they brought their country from mortal danger and weakness back to the company of the great powers. They learned their job quickly and in hard circumstances. When Trotsky took up the post of People's Commissar for Foreign Affairs he said: "I will issue a few revolutionary proclamations to the peoples of the world and then shut up shop." Yet within three years Soviet foreign policy over a wide range was being handled with the stubborn cunning of Elizabeth Tudor. Facts forced its masters into a dual policy: "to attempt to hasten the downfall of capitalist governments and to attempt to negotiate with them." By March, 1920, Chicherin was telling the Party congress:

> At present the capitalist system exists, so that a *modus vivendi* must be found in order that our socialist states and the capitalist states may co-exist peacefully and in normal relations with one another.

Yet that was the year in which the prestige of the Comintern as a leader of world revolution was at its height. It all sounds a little familiar.

Indeed, again and again in this book coming tactics cast their shadows before, and one wonders why the Soviet Union when it is so strong has to go on with the tactics that saved it when it was so weak. It is economic facts that push Lloyd George into opposing continued support for the regime in November, 1919; and the Soviet Government makes promises (not kept, of course) to desist from propaganda against the British Empire in order to get the Anglo-Soviet trade agreement of March, 1921. It plays with ideas of getting foreign capital and equipment to help the New Economic Policy; but it shies away from the European economic project that led to the Genoa conference. Having used every device to ensure that the Comintern should have a clear and rigid party line to oppose to the Second International, it is telling national Communist parties three years later (1922) to follow popular front tactics shoulder to shoulder with the accursed bourgeois Socialists.

It is in the study of policy forming that Mr Carr is at his best. His analysis of the moves that brought the Germans and Russians together in 1923 is masterly and convincing, though he forgets that nobody under 40 remembers what Briand and Stresemann stood for. (Indeed, the volume would be better for short chapters recalling the sequence of events outside Russia and for a couple of maps.) Likewise, he has sorted out most clearly the ideas and motives of the Russians in the Comintern. This scholarship will not be easily undone, and those who wish to assess its quality can turn to page 505 where he tracks down the truth about Soviet undertakings to China regarding the Chinese Eastern Railway. It will be most interesting to see whether the alleged liberalism of Malenkov and his colleagues will allow this work to be read and reviewed in Moscow. It should certainly be read in both Houses of Congress.

Political Player

CALL BACK YESTERDAY: *Memoirs* 1887-1931.

By Hugh Dalton.

Frederick Muller. 330 pages. 21s.

MR DALTON'S entertaining book, the first of a trilogy according to his plan, achieves to the full at least one of the purposes of political biography. It tells us a great deal about the author. Although the period covered by this volume ends in 1931, with the narrator still a junior politician, only 44 years of his life behind him, we have no difficulty in recognising in the story almost all the characteristics of the post-1945 senior minister. On the credit side there are quick intelligence and instinctive loyalty, a philosophic acceptance of the rough as well as the smooth of politics and a fundamentally good-tempered, unjealous attitude towards life and affairs. On the other side there are obvious prejudices constantly referred to with an air of pride; a curious habit of standing aside and watching (but not criticising) his own gesticulations upon the stage; and a certain lack of proportion in his judgment, resulting in too similar a treatment for the small and the big. The consequence has been a strangely uneven politician: a man capable of risking everything to make the Labour party more sensible on defence in 1937, but incapable of going down with all his flags flying when the Bevanites were closing in upon him at the Blackpool conference last year; a political player who has frequently shown a most attractive verve upon the field, but sometimes with a little too much of the professional in his manner for the English taste.

About his period, Mr Dalton also tells us a good deal, although less revealingly. What a pity he was not a member of the Cabinet of 1929-31, as in many ways he deserved to be. With his profuse diary keeping and his keen ear for political scandal, he would then have been able to tell still more about the fantastic jealousies which rent the leadership of the Labour party in the Macdonald era and about the still clouded story of August, 1931. As it is, some of his information on these subjects is secondhand. He was Henderson's devoted henchman, as well as his Under-Secretary at the Foreign Office, and much of what we are now given came to Mr Dalton from that dour Methodist politician, the most unlikely but far from the least successful of British internationalists.

Two impressions of the Labour party in the twenties stand out. The first is the breath-taking lack of discipline, not so much among the rank and file, about whom Macdonald was always complaining, but at the top. Mr Bevan behaves with iron self-restraint compared with many of his forerunners. The second is the extent to which the party then encouraged "carpet-bagging," much more than it does today and more too than either of the traditional parties. Mr Dalton himself successively wooed the electors of Cambridge, Maidstone, Cardiff East, Holland-with-Boston and Peckham, all within the space of two and a half years, and Henderson, electorally most unfortunate, was continually moving from one northern seat to another. It was the "men from Headquarters" rather than indigenous leaders who won the partial victories of 1923 and 1929.

The form of Mr Dalton's book is not quite so satisfying as the substance. Mr Dalton writes as he speaks, in a very loud voice, and the effect is at times exhausting. And he is much too fond both of inundations of initials and of the platform phrase, to be rolled around the mouth and repeated with rhetorical relish. But these faults (which, indeed, do not appear in the excellent early chapters) do not spoil a most readable book. With three volumes Mr Dalton is offering a big ration. The first instalment will make us await the others with interest.

Americans and Clearing Unions

STRENGTHENING THE FREE WORLD ECONOMY. *A report by Klaus Knorr for the Princeton University Centre of International Studies.* 45 pages.

THE Centre of International Studies at Princeton University is performing a real service with its present series of quietly authoritative memoranda on international economic problems. Its latest memorandum is of special interest because it contains a summary by the Princeton Professor Klaus Knorr of a conference on America's foreign economic policy which was attended by sixteen leading government and academic economists last December. Most of these economists said most of the right things about the direction in which American policy ought to move—for instance, as regards tariffs, foreign investment and stabilisation of raw material purchases. Most of them also—at any rate in European eyes—seemed to underestimate the structural disequilibrium in trade between the dollar and non-dollar worlds; there seemed to be a tendency to forget how far the recent narrowing of the dollar gap had been snatched at the cost of discriminating import restrictions and how fearfully any American recession would react on the non-dollar world.

But the really interesting feature of the conference was that it reflected the growing realisation among American economists that "the so-called European dollar gap is no longer the product of European deficits on current account, but of the attempts of Europe to finance the deficits of its associated overseas areas." To put the matter baldly: American economists are swinging round to the realisation that the failure of the sterling area to attain a secure postwar dollar balance, even under conditions of discriminating trade, does not lie so much at the door of the United Kingdom as of the overseas dominions. Professor Robert Triffin, of Yale University, recognised openly that international financial policies since the war have fallen down because they have "concentrated each country's attention on the solution of its dollar deficit rather than of its overall deficit." His proposed remedy was that the International Monetary Fund should aid the slow march towards genuine convertibility by acting as a modified sort of clearing union. It should stand ready to buy the currencies of extreme debtors and sell the currencies of extreme creditors; and it should seek to influence these extreme debtors and creditors into more appropriate internal economic policies.

In effect, of course, this would go about three-quarters of the way towards transforming the IMF into the sort of payments union that has been advocated in *The Economist.* It is apparent that Professor Triffin's estimate of the extent of the cushion that would be needed is considerably smaller than the estimates that have been put forward in these columns; but this difference would come out in the wash, provided that a modified clearing arrangement of the Triffin sort was not expected to lead to any great removal of discriminatory import licensing, and provided that America does not experience a slump. It is also apparent that some of Professor Triffin's colleagues at the conference were innately suspicious of what they called "gimmick solutions" of this kind. Nevertheless, the general impression that emerges from the report of this conference is an ardent wish that the new administration in Washington would listen more attentively to the views of its own economists—and then act upon them.

European Manpower

ZUR INTEGRATION DER EUROPAISCHEN ARBEITSKRAFT.

By Herbert Studders.

August Lutzeyer, Frankfurt - am - Main. 158 pages. 20 DM.

DR STUDDERS rightly claims that this book is the first contribution to an analysis of the manpower aspects of European integration. He has indeed performed a service in bringing together the principal (though not the latest, for the 1951 British Census data are not used) statistics on the age, sex and occupational distribution and recent migration of the population of Europe, with the sole exception of the Soviet orbit. He provides, in fact, 80 pages of statistics to 50 of text.

His analysis is, however, not so complete as his statistics. A preoccupation with the Schuman Plan countries, and with Germany in particular, has led him towards conclusions which do not appear to take sufficient account of conditions in other parts of Europe. In his enthusiasm for European integration, he has followed the chance grouping of political alignment (the Schuman Plan, the Council of Europe, the OEEC, and "Western" Europe), and consequently obscures the wide variations of economic and demographic conditions: at one extreme there are the industrialised countries with static or declining labour forces (Belgium, Luxemburg and France), and at the other, the insufficiently industrialised countries with rapidly growing populations (Italy, Turkey, Portugal). It would seem that Dr Studders adopts the political grouping not because he sees the solution in large-scale migration—for this, in line with official German policy, he firmly rejects—but because he envisages a co-ordinated effort to raise industrial productivity. This would be attained both by training those at present unemployed and by limited transfers of skilled personnel, for which purpose he strongly advocates the creation of a European Labour Office. Accompanied by limited industrial development—clearly thinking of Germany, Dr Studders emphasises the expansion of defence industries—this would undoubtedly help to eliminate sectional unemployment.

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Even if his solution were fully practicable in western and northern Europe—skilled immigrants are unwelcome to British trade unionists and postwar immigration to France and Sweden has been small—it is not the answer to southern Europe's underemployment. It would surely be better to give occupation to the unemployed or underemployed than to increase capital intensity to raise the productivity of those already working. Moreover, the investment needed, which cannot be made from domestic resources alone, must be directed not only to industry but also to agriculture—people eat more when they are working.

Dr Studders is right to see no solution in mass migration and to place considerable hope in European co-ordination, but his own solution is only half an answer.

More Paternal Wisdom

LETTERS FROM A BANK PARLOUR.
By W. S. Hill-Reid.
Falcon Press. 200 pages. 9s. 6d.

READERS of Mr Hill-Reid's "Letters of an Economic Father" will be delighted to hear that "Letters from a Bank Parlour" is even better. There are certain pitfalls in the epistolary method, particularly when the writer puts on, for the purpose, a personality not his own. The "Economic Father" was a little hazy at the edges, a little thin, a little uncertain, sometimes, whether he was Mr Hill-Reid's creation or Mr Hill-Read himself; here he has acquired a racy solidity which makes his advice, instruction, anecdotes or conversational generalities both more memorable and more entertaining. Even the suspicion that his son John occasionally exchanges with his crony Antony—over Papa's latest piece of wisdom—a look of deep and wordless mutual understanding, or that his niece Dorabella probably refers to him as a priceless old pet, helps to build up the picture, and to give unity to what might otherwise convey a slight impression of rag-bag.

For these "letters" deal not only with the elements of personal economic wisdom and with the institutions and practices through which it can be exercised by the ordinary citizen, but with subjects as diverse as golden retrievers, American manners, marriage, letter-writing, the characteristics and functions of various professions, and town and country planning. They are not arranged in any particular order, except where a single topic proves too long for a single letter. Some are more practically useful than others, some more generally instructive, some are primarily an expression of the writer's own feelings, opinions or interests. There is none, however, with which the reader would willingly dispense.

Young people just launching into financial independence, counterparts of John and Dorabella, are the obvious recipients for Mr Hill-Reid's good sense and wisdom. But the social historian of a later day, speculating, perhaps, on the habits, the values and the ethics of the British professional class on the eve of its disappearance, might do much worse than consult the "Letters from a Bank Parlour."

Shorter Notices

AN ESSAY ON THE THEORY OF PROFITS AND INCOME DISTRIBUTION.
By B. S. Keirstead.
Basil Blackwell. 110 pages. 10s. 6d.

This stimulating essay in dynamic economics is mostly a piece of bridge-building, an attempt to draw into a coherent whole the neo-classical theory of income distribution and the various modern theories of the rôle and reward of the entrepreneur from Schumpeter to Shackle. The practical thesis at which, after considering both long-run trends and the effect of cyclical fluctuations, Professor Keirstead arrives is that the tendency of income distribution in a dynamic society is in favour of organised labour and of corporate profits and the entrepreneurial incomes depending on these, and against rentiers and passive equity holders. This tendency is reinforced by the political power of both the favoured groups, the one as a large voting block, the other as a strategically placed lobby.

Professor Keirstead, while drawing his most general examples from the United States and from Canada, turns in his last chapter to an analysis of British experience. Here, in the interpretation of recent historical fact, he is less successful than in pure theory. It is not his fault that the year's delay between the completion of his book in Montreal and its publication in this country has given an out-of-date appearance to his data (the latest Economic Survey which he uses is that of 1951). But his complacency about the level of postwar savings in Great Britain does not do much credit to his percipience, and when he ventures from the economic to the wider political and social field he is often, though in a way difficult to define, just plain wrong. (It is, for instance, doubtful whether anyone, of any party, would recognise what he describes as the guiding motive of the British educational system.) This element of amateurishness in social matters, however, does not detract from the interest and value of his purely economic work. It only offers one more demonstration of the difficulty of drawing practical conclusions from even the most impeccable analysis.

★

INDUSTRIES OF NORWAY.
Edited by Olge J. Adamson.
Dreyer's Forlag (Oslo); (London: *Edward Stanford*). 392 pages. £5 5s.

This survey of the current industrial resources of Norway provides a background story of their development and includes agriculture, shipping, trade and finance, as well as industry.

One of the country's greatest natural resources is its abundant water power, which has resulted in a high degree of electrification. In turn, electricity has helped and speeded up the development of other natural assets—particularly forests and minerals. There are thirty-seven illustrated articles on different aspects of the Norwegian economy, each written by an expert. They contain a good deal of statistical material, although, unfortunately, this is not very up to date.

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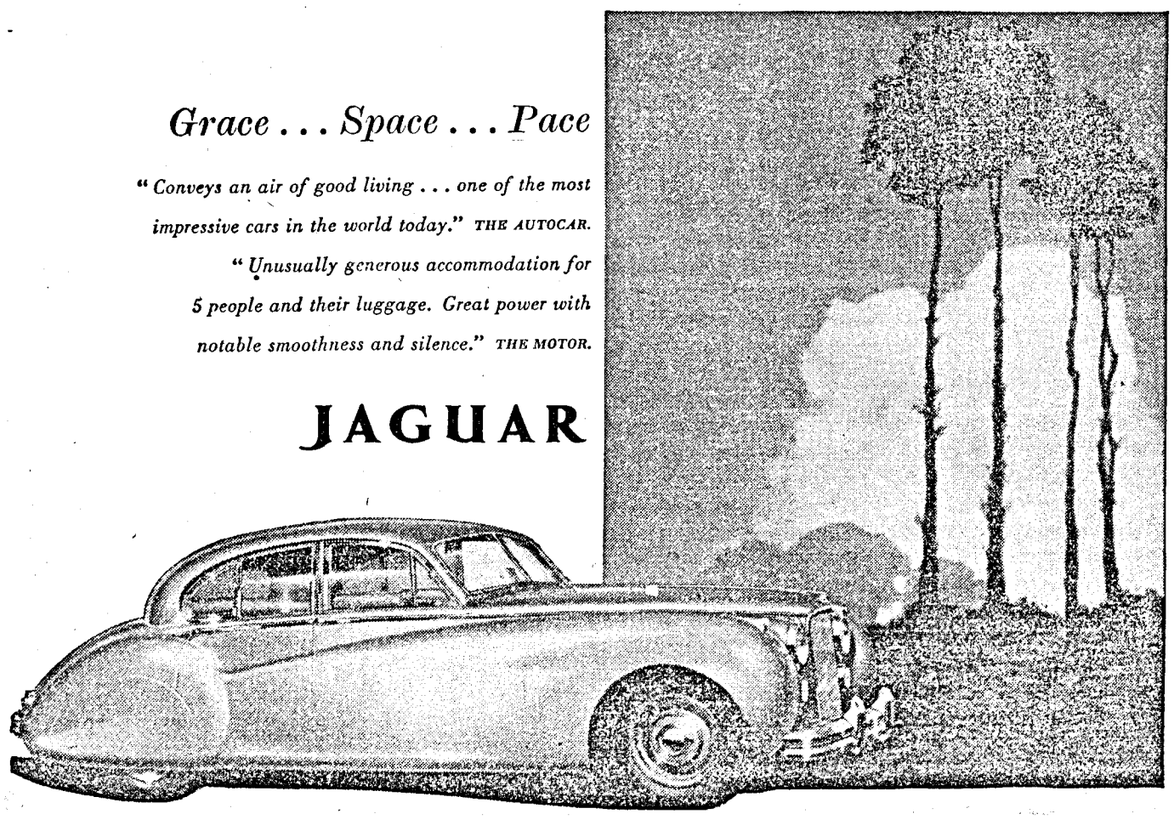
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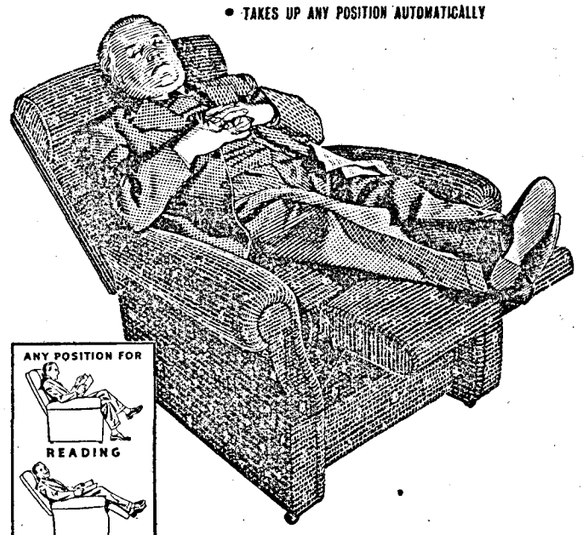
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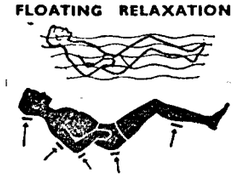


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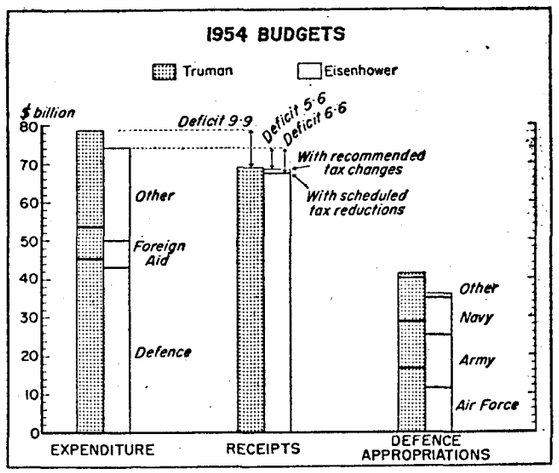
AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Defence—Enough for Less?

Washington, D.C.

WHEN the President delivered his first "fireside chat" last week he spoke under something of a strain. His task was one that few would envy him; he had to explain why, even with a reduced military programme, it was not possible to balance the budget or lower taxes. The simple explanation—that it never had been possible without crippling the armed forces—was not available to him after last autumn's election campaign and therefore much of the speech was necessarily of a partisan political character. Some of the complaints he made about the past Administration were undoubtedly true but others displayed little more than exasperation with the facts of life.

His lament, for example, at the discovery that there will be outstanding, on June 30th of this year, $81 billion of congressional authorisations to spend money, mostly on armament for which contracts have already been placed and for which cash must be found out of the tax revenues of the next few years, has not yet, even after several repetitions, achieved a ring of authenticity. It is hardly believable that General Eisenhower, who had been Chief of Staff of the Army, and Mr Charles Wilson, the Secretary of Defence, who had been president of the General Motors Corporation, to mention only two of those involved, did not know, before they came to office, that guns, tanks and aircraft must be ordered years in advance, particularly at the beginning of a rearmament programme, and that a long period of building new factories and equipping them with machine tools had to precede even the production of prototypes. If it were believable it would be terrifying.



As an example of a justified complaint, on the other hand, there was the passage about the two stubborn financial facts that faced the new Administration: under the former Administration, expenditures for the future were so scheduled as to reach their peak during 1954 and 1955 while "these are precisely the years when, under existing tax laws, federal revenue from taxes, under scheduled reductions, will fall sharply downward." It is possible for the Democrats to argue that this was a mere coincidence and that the timing of the decision to rebuild the armed forces was responsible for the first of the stubborn facts while the second was caused by the action of a stubborn Congress. But, while it is true that Mr Truman never failed to preach the desirability of higher taxes, it must be admitted that, latterly, his preaching became perfunctory, to say the least, and he did not fight with his usual pugnacity to get the increases.

It is more important, however, to find out what the new military and fiscal programme will mean to the United States than to try to apportion blame as between Republicans and Democrats for a financial condition for which the Soviet Union might well be allowed to shoulder the entire responsibility. The budget for the 1954 fiscal year beginning next July, which was submitted by Mr Truman to Congress a few days before he left office, forecast revenue, under present tax laws, of $68.7 billion, expenditure of $78.6 billion and a deficit of $9.9 billion. President Eisenhower's revised budget puts revenue, if his recommendations for continuing existing taxes, instead of allowing them to expire, are followed, at $68.5 billion, expenditure at $74.1 billion and the deficit at $5.6 billion.

One reason why all the hard work of the new team, and some of its debatable economies, have not had more effect on the deficit is that what seems to be the prudent course has been taken of providing for the Korean war in advance rather than of hoping that it will end during the next fiscal year, and asking for supplementary appropriations if it does not.

The other reason, which was mentioned by the President last week for the first time, was that "the past Administration over-estimated tax collections for the next fiscal year by some $1.2 billion." Nobody, obviously, can say for certain how much will actually be collected between next July 1st and June 30, 1954, and he presumably meant

that a mistake was made according to the usual methods of estimating. This in itself is interesting as most Administrations tend to be, and the last one always was, pessimistic in their estimates of revenue. This is no more than a natural precaution on the part of those who have to face Congress and hope either to prevent dangerous cuts, or get vital increases, in revenue. Anyone who attended Mr Truman's seminar on the budget a week before he left Washington may now have an inkling of why he looked, on that day, as if he had swallowed a whole cageful of canaries.

However difficult the new President's position may have been made by his own tendency to overpromise and his predecessor's inclination to set booby-traps for him, the country is left, when the mists of battle have cleared away, with a deficit that has been reduced by $4.3 billion and an Air Force whose future, although not its immediate, spending authority has been reduced by $5 billion. It can hardly have given President Eisenhower much pleasure to have to announce such a fact, even in a speech that wrapped the information up in a homily on the importance of national security and that pointed out that 60 per cent of the money available for defence next year would be spent on air power and air defence. The defence of the United States, the President said,

> must, first of all, be one which we can bear for a long—an indefinite—period of time. It cannot consist of sudden, blind responses to a series of fire-alarm emergencies, summoning us to amass forces and material with a speed that is heedless of cost, order and efficiency.

This is no more than the plea that General Marshall made for a military posture no stiffer than could be supported permanently—a plea that he had to make, after the outbreak of the Korean war, in the face of demands from Senator Lodge for an Air Force of 150 combat groups and from Mr Dewey for an Army of 100 divisions. Under General Marshall and Mr Lovett it seemed that a satisfactory programme had been achieved and one that did not jog, as Senator Symington (who, as an ex-Secretary of the Air Force, knows what he is talking about) said, "up and down and then up and then down again in step with political demands but not with the security needs of the times."

★

There is clearly no way by which the expert, let alone the layman, can assess what is the exact amount of strength, in the air, on the ground or on the water, needed for the defence of the United States. The new Administration may be right and the old one may have over-estimated. But those who have watched the development of the new programme would have more confidence if they were less aware of how it had been developed. Some weeks ago it became known that the Secretary of Defence had decided on an amount by which the military budget was to be cut and had told the Joint Chiefs of Staff to divide the loss among themselves. Nevertheless, Mr Harold Stassen found himself able to describe the new programme as "more defence more rapidly for less dollars lasting longer," a statement which contrasts with that of Mr Hanson Baldwin, the military expert of the *New York Times*, who reported that "our ultimate strength will be less and our progress toward that strength slower."

Mr Wilson himself did not do much to clarify the position at a recent press conference at which his answers to scattered questions seemed, when assembled, to tell his version of the story. This was, he said, a defensive budget, one which would make it possible to defend the country during the period of build-up after the outbreak of war but would not provide forces which other countries would consider a challenge. When asked how it was possible to gauge what constituted a sufficient defence he made the comforting reply that that was the $64 question. And, to a later inquiry as to the view of the Joint Chiefs on the new budget, his answer was that, as far as he knew, they thought it about the best compromise, adding that they would have liked, in the phrase he now uses almost daily, "the little old pocketbook" a little more open. Mr Wilson's disclosures, however, appeared to be an adequate account of what had happened until the President explained that

> we did not set any fixed sums of money to which our defence plans had to be fitted. We first determined what is truly vital to our security. We next planned ways to eliminate every useless expenditure and duplication. And we finally decided upon the amount of money needed to meet this programme.

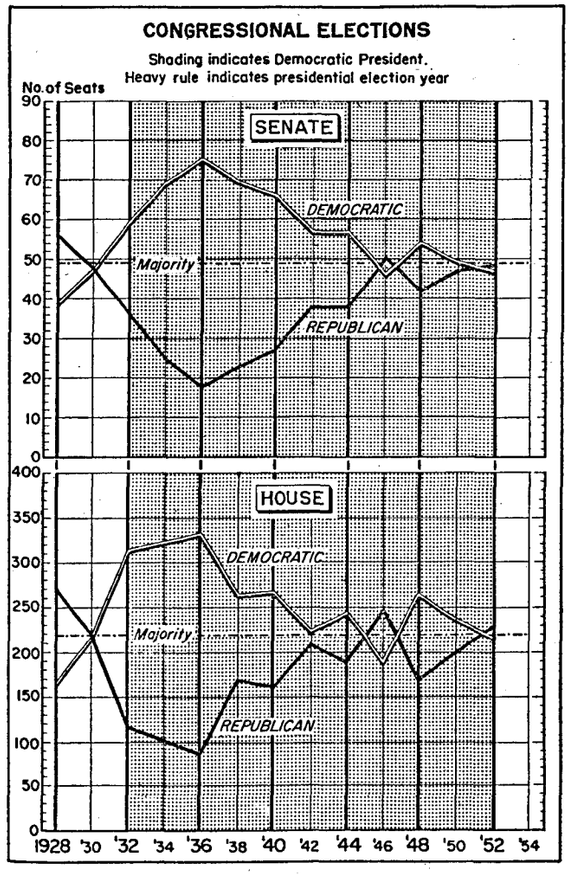
American Notes

Preparations for 1954

PRESIDENT EISENHOWER'S recent call to New York Republicans for freer foreign trade, his broadcast explanation last week of the reasons why lower taxes are not yet possible, the speeches he will be making in various sections of the country during June, are all evidence that he has decided to take a stronger line with Congress, to mobilise popular pressure behind those of his policies which his nominal supporters in the House and Senate are reluctant to implement. He wants to remind the Republicans that the voters last November showed much more affection for the party's presidential choice than they did for its congressional candidates.

Such a reminder should be all the more effective because the Republicans in Congress are already thinking of the popularity test which they, but not the President, must face in November, 1954, when there are elections to fill all the 435 seats in the House of Representatives and one-third of the 96 in the Senate. The early attention, premature even for America, which is being paid to these contests is explained by the unusual narrowness of the Republican majorities over the Democrats—some eight votes in the House and one in the Senate. In 1954 the Republicans cannot afford the losses which, as the chart shows, the party in power expects to suffer in mid-term elections when it has no presidential candidate to arouse the voters' enthusiasm. The danger that the Republicans may lose their majority altogether is particularly great in the House. In the Senate several of the Democrats running next year, Mr Humphrey of Minnesota, Mr Douglas of Illinois and others, are liberals who were swept in on Mr Truman's tide in 1948 and should not be difficult to sweep out now they are on their own.

In these circumstances congressional Republicans might be expected to be particularly anxious to collect as large an advance store of reflected popularity from the President as possible. But in fact some of their reluctance to support the President's policies stems from the fact that it is they, not he, who will be the first to answer to the electorate for his probable failure to keep his campaign promises of balancing the budget, reducing taxes or perhaps even of ending the Korean war. For this reason the Republicans want to be able to prove that at least the promise to cleanse the government of inefficiency, corruption and Communism



has been fulfilled. This may be one explanation of why the President has hesitated to crack down on Senator McCarthy. The appeal which the Senator's ostensible objectives, although not his methods, is supposed to have for many voters also explains why the officials of the Democratic party may not take the advice of Senator Lehman and other liberals and make an all-out attack on McCarthyism the main issue of the 1954 campaign.

Democrats Do It Too

BUT at present the Democrats feel that the Republicans are handing them issues on a platter. For the President's major policies—international co-operation, foreign aid, heavy appropriations for defence, lower trade barriers—are all ones which were initiated by the Democrats and which so far he seems unable to get through Congress without Democratic help. On these questions, therefore, the Democrats think that it is they, not the Republicans, who will be cashing in in 1954 on the voters' approval of what the Eisenhower Administration has done. On domestic matters the Democrats feel that they are being even better served by the Republicans. They hope, perhaps over-optimistically, that the cuts in public housing funds, in government power developments and rural electrification, in the protection given consumers against exploitation, and so on, are tit-bits that will be followed by more far-reaching "give-aways" of national assets to private interests.

The particular advantage of such issues is that they appeal to people in places which tended to desert their long-standing Democratic allegiance last year—in the western mountain states and the cities, to southern farmers and housewives everywhere. By fighting congressional elections on local issues, the Democrats can avoid the arguments over such national questions as civil rights which divide their party in presidential elections. The desirability of putting up at least a facade of unity may also make it difficult to exploit in the 1954 campaign what is so far the most obvious of the Republican give-away programmes, the handing over to the states of the right to develop the under-water oil off their shores. For this is one of the issues on which the Democratic party has long been split and the Bill was pushed through Congress with the help of southern Democrats. The practical purpose of the Democratic National Chairman's recent trip through the South, waving an olive branch, was presumably to collect funds; generosity would hardly be encouraged by a continued harping on the wickedness of giving off-shore oil to Texas, Lousiana and Florida.

Still on the Wage Escalator

THE unauthorised wild-cat strikes, mainly against parts manufacturers, which have been holding up automobile output lately, are exceptions to the statesmanship that nowadays characterises labour negotiations in the motor car industry. This was demonstrated last week when the General Motors Corporation and the United Automobile Workers reached an agreement which proved the faith of the union in its unusual long-term contract, and of the company in a continued high demand for its products. The union's faith had been shaken by the recent fall in the cost of living, which meant a fall in automobile wages because of the escalator clause which was the outstanding feature of the union's five-year contract, under which wages moved up or down with the cost-of-living index. A change in the basis on which that index was calculated gave the union an excuse earlier this year for demanding that the contract be reopened, even though it still had two years to run.

Now a formula for adapting the agreement to the new index has been worked out, and it seems that, if the cost of living goes up again, automobile wages will climb the escalator rather faster than they used to do. More important in present circumstances, the General Motors Corporation has agreed to put a floor under any possible falls by adding to the basic wage, and thus making permanent, 19 cents (the union asked for 21 cents) of the 24 cent-an-hour increase so far achieved under the cost-of-living clause. Finally, the annual wage rise, to cover improvements in

productivity, which falls due at the end of this month, has gone up by 1 cent to 5 cents an hour.

This is in line with the emphasis on increased productivity which has become fashionable in this year's labour negotiations, now that increases in the cost of living are no longer providing an argument for higher wages. But the General Motors rise, which is expected to set a pattern for the rest of the automobile companies, is far less than has been usual during the postwar years and will hardly be enough to satisfy the United Steel Workers, next to the automobile workers the largest union in the country.

The steel contract can be reopened only for wage changes this year but the union is reported to be hoping for at least an additional 15 cents an hour, almost certainly more than it will get. However, a repetition of last year's long and bitter strike in the industry is not expected, partly because the union wants to save its strength for the more far-reaching negotiations which will be possible when the contract expires next year. Furthermore the steel companies are not altogether averse to a wage rise since they are seeking an excuse for price increases, while the union knows that for the first time in its existence it cannot hope that the Administration in Washington will press for concessions on its behalf.

Clearing Out the Waterfront

In the jungle of the New York and New Jersey docks, infested with "Arsenal Gangs" and creatures such as Alex (the Ox) Di Brizzi, crime and extortion have become a daily routine to which shipping companies have to conform, more or less, if they want their cargoes unloaded. Much of the trouble arises from the hiring system, or "shape-up," under which the dockers are selected arbitrarily each morning by a hiring boss. Unless a man is ready to buy protection or do favours to the "strong-arm boys," he has no chance of steady employment. As a result gangs have had entry to the piers and some $5 million a year have been lost through pilfering of cargoes.

The abolition of the shape-up was one of the conditions set by the American Federation of Labour last February when it delivered an ultimatum to the International Longshoremen's Association, telling it that it must clear out its New York jungle or be evicted from the federation. In spite of a rigged vote, in which the waterfront bosses tried to prove that the dockers were in favour of the present hiring system, the ILA has now agreed that some less objectionable method will be found in the new contract which is to be negotiated shortly with New York employers. But the association's report to the AFL's executive council did not propose any satisfactory democratic means by which the many honest longshoremen could rid themselves of corrupt or criminal leaders. The president of the whole ILA, who is also head of its New York branch, Mr Joseph Ryan, is one who has recently been indicted for stealing union funds.

The AFL council has rejected the ILA's report but has given it a fast opportunity to put its case at a further meeting in August. However, even if the ILA does not then come into line, it is doubtful whether its complete expulsion will be approved by the AFL's convention in September. It is more likely that another union will be allowed to enter the field, for the AFL will hardly want to leave such an important body of workers free to go over to the rival Congress of Industrial Organisations. But however this question of labour politics is decided, it means a long period of disturbance on the waterfront with no assurance of a satisfactory settlement at the end.

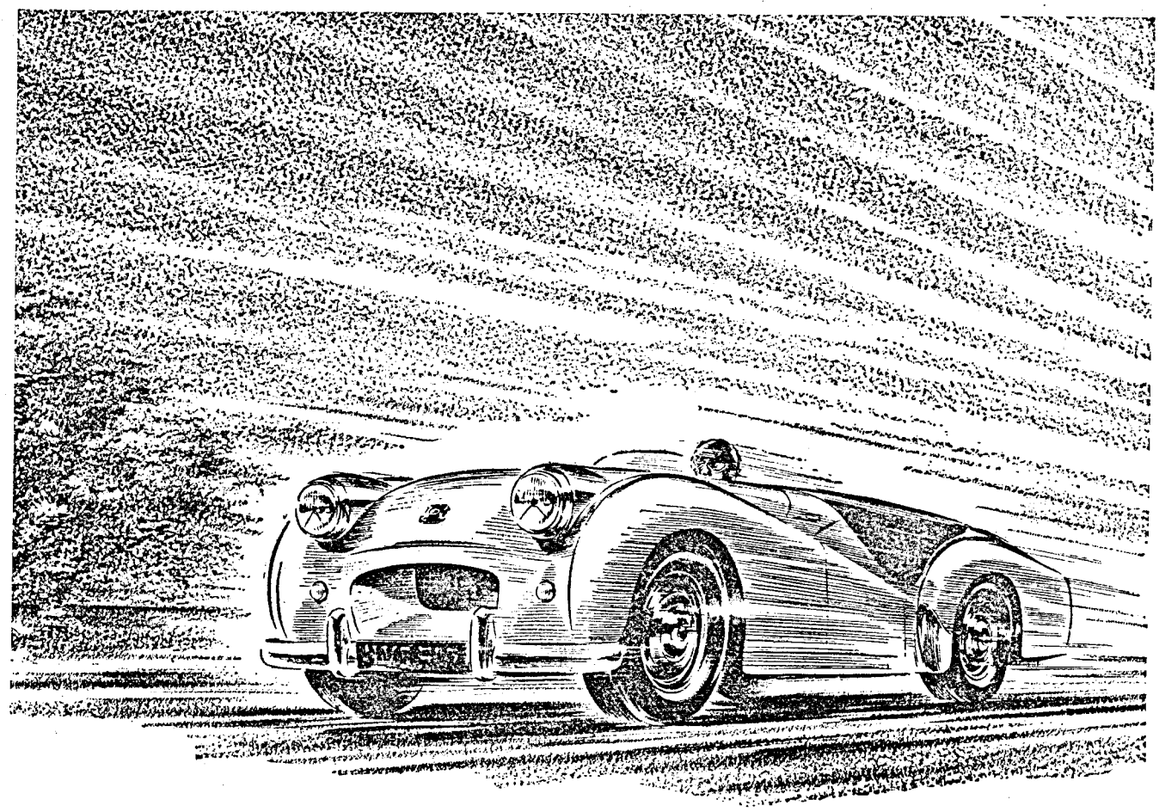
Better, although by no means certain, hope of restoring order to the sinister chaos of the nation's greatest port is contained in the final report of the New York State Crime Commission. This group, whose revelations were responsible for Mr Ryan's indictment, has now sent a series of radical proposals to Governor Dewey, including a suggestion that a state authority should be given wide powers over the New York waterfront. Now, moreover, the Department of Justice has convened a federal grand jury to investigate the whole dock situation and this may also help to sever the tenacious links between waterfront and underworld.

More Scalps for McCarthy

Now that Mr Raymond Swing, the well-known political analyst of the Voice of America, has resigned, scalps from most of the more enterprising heads of the overseas information services are hanging from Senator McCarthy's belt. An example of the extent to which he is frustrating the agency's work is the fact that only 300 books, instead of 120,000, are now being sent to overseas libraries each month as a result of the difficulty experienced in checking them for "suitability," which means freedom from anything that smells of Communism to Mr McCarthy's minions. And the cut in the funds available for overseas broadcasts has reduced the Voice of America to "relative impotence," in Mr Swing's opinion.

But the main reason for his departure was the "spineless failure" of the State Department to stand by its staff when they were the victims of "slanderous attacks" on their integrity. The final straw was evidently the forced resignation of Mr Kaghan, the able deputy director of the US Information Services in Germany, who was made to pay for having dubbed Senator McCarthy's two young investigators "junketeering gumshoes," and for having stood up to the Senator when summoned back to Washington to answer allegations about his youthful contacts with Communism.

Another recent example of the State Department's present readiness to make any sacrifice for the sake of peace with Mr McCarthy has been its failure to push through the nomination of Mrs Mildred McAfee Horton to be a United States representative at the United Nations Social Council. Only when the meeting was over was it discovered that the investigation of the loyalty of someone who had not only been head of the women's branch of the Navy during the war, but also president of a leading women's college, on the governing board of the National Council of Churches and a strong supporter of General Eisenhower's candidacy, had taken so long that there had been no time for the Senate to approve her nomination. This is so absurd, and there is so much uncertainty over what really happened, that a much more probable explanation of the case seems to be that the State Department found that there might be some difficulty over the appointment in the Senate and preferred to let it drop. Nothing could better illustrate the ridiculous lengths to which the process of investigation has now been driven.



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The World Overseas

Israel: The Problem of Productivity

BY OUR SPECIAL CORRESPONDENT

THERE are two slogans about Israel that now seem to some Israelis, and to your correspondent, to present more snags than advantages each time they are uttered. One is Mr Ben Gurion's dictum that, where Israel is concerned, "there is no such science as economics"; in a word, miracles can be relied on. The other is: "Look what we have invested and at the changed face of our homeland." Both slogans are powerful, for both are truths; their drawback is that they are truths proclaimed without a full context. Mr Ben Gurion is right when he claims that manna has so far always fallen; Mr Marcus Sieff, who elaborated the second theme in a letter to *The Economist* of May 15th, justifiably points to more acres ploughed, trees planted, roads built and kilowatt hours made available. Yet these success stories, repeated in isolation, create a state of mind that is dangerous to Israel's future as a self-supporting nation. Their drawback is that they conceal from its people the disquieting fact that, despite investment on a scale unparalleled in our generation, their country is still farther from earning its own living than any other nation.

In the three years 1949-51—its three peak years of immigration—it earned by its own efforts only 15 per cent of the foreign currency that it spent, obtaining the rest from loans (40 per cent) and donations and capital imports (45 per cent). Comparable figures for 1952—the first year of greatly reduced immigration—are not obtainable owing to differences of official opinion as to how to assess the different exchange rates at which transactions must be calculated. But enough data are available to show that the earned percentage still lagged well below 20 per cent. The present year promises slight but not yet substantial improvement. Over five years, loans, gifts and investments from abroad have exceeded the $1,000 million mark; about half of this immense sum has melted into consumer goods, but half has been lodged in supposedly productive investments. Would it not by now be legitimate to expect a greater measure of national productivity and self-support?

"Somebody Will Pay"

Of course there are some good reasons for the shortfall. The best is that a population now composed as to 45 per cent of oriental Jews coming from sedentary jobs cannot at once produce hands good for work in fields or even in factories. But there are other factors that were or are avoidable. The complacent slogans already quoted have produced two attitudes of mind that are damaging wherever they prevail. One is the sentiment that help is Israel's due and that it is therefore unnecessary to count the cost of any venture, since someone will surely pay. Unconsciously, large sections of Israel's population have been allowed to think this an axiom and to fall into habits that leave no room for effort towards greater economic independence. The other is the belief that a level of social security that was the pride of mandatory days can still be afforded by a people now burdened with calls upon a national purse that include a huge bill for national defence.

Many sober Israelis see, and say, that these attitudes and practices must be abandoned. The President of the Bank Leumi, for instance, has said so at the bank's last two annual general meetings. But this realism has not yet reached the lips of cabinet ministers because publicly to broach it leads to party quarrels. Complete social security and a system wholly free from caste were the ideals of the pioneer settlers of the Histadruth and of the majority party, Mapai. The emotional appeal of both doctrines is immense; who is brave enough to proclaim that they must be—indeed, are already having to be—abandoned?

Tractors, Not Spades

A crux of Israel's problem is the immediate need to reduce the foreign exchange element in its costs of production. So far this has been unduly high for reasons that were at least partly avoidable. In industry, the high level of wages set in accordance with pre-state standards has led to the instalment of much labour-saving machinery. In agriculture, for which far too few people show an inclination, development has taken place on a basis of tractors, not spades, and of pump-driven sprays bought in America that can be operated at the turn of a cock. In a word, Israel has produced patterns of life that would be logical in a country in which manpower was short and funds for buying gadgets were ample, but which are unsuitable when conditions are the other way about.

If, in the interest of earning the nation's living, the Israel leaders are to alter the course so far set, a few new practices are necessary. One is bolder and franker explanation to the people of the values at stake. Another is the application of some new and horrid disciplines, among them, abandonment of the doctrine that wages and the cost of living index are indissolubly linked. Judging by the history of the last twelve months, the prospects of exercising discipline are by no means hopeless. During that period, inflation has been

checked by turns of the economic screw which have successfully reduced internal purchasing power. Incomes now lag behind supply, thanks to the expedient of taking the lid off prices and promoting a system of rationing by the purse that is contrary to old and cherished doctrine. Has the country the moral courage to jettison another ? If maximum prices have disappeared, what about minimum wages ?

In its economic dilemma, Israel today gives the impression of a country that is endowed with unlimited ingenuity and is therefore ready to try endless economic devices for earning more and spending less in the field of foreign exchange. At the same time, it gives an impression of timidity in the psychological field. It has stopped inflation, but is nervous about taking the next steps towards self-support since these entail a move out of the realm of mere mechanics and into that of politics. Deflation, for instance, has of course brought unemployment. At the moment, the published volume is small ; the actual volume is probably larger because many semi-idle industries prefer to employ workers part time rather than to lay them off. It is likely to grow for a while on account of the falling off in home demand for goods. It is causing a very natural emotional upset in a country which induced immigrants to enter a land of promise. But how will that upset be met ? No politician, so far, has had the courage to say that a wage freeze would help to meet it. Members of Mapai who, in private, recognise the fact, are afraid of the accusation from the ranks to their left that they are selling out, stage by stage, to the conservatives. Therefore, they are meeting the emergency with devices that are in fact reductions of wages called by other names—advance levies of income tax, new and low rates of pay for the emergency works on which the unemployed are engaged. Meantime, the public is confused as to the real issues at stake both by out-of-date slogans and by the noise of wrangling.

Need for a Churchill ?

In an emergency, it is wisest not to underrate a people's capacity for responding to unpalatable news. The hard fact is that costs of production must be forced down ; that Israel's industry must become competitive abroad, not only by less of the mechanisation that is so costly in foreign exchange, but by lowering its wage bill ; that, in agriculture, there must be less abhorrence of manual methods and more readiness to found a peasantry that is not above doing jobs that have been undone since the Arabs fled. In a word, the standard of living must go down before it can hope to go up again. At the moment Israelis are setting great store by the new team of American planners whom they have engaged, but what is really needed is not planners. These are locally plentiful ; the missing link is the man or team of men with the tenacity to execute the whole of a plan. Many Israelis now speak of their craving for a lead from someone possessed of qualities that have never yet appeared in conjunction. These qualities are: a conviction that reliance on quality must be stifled if a sturdy nation is to be built ; the moral courage to proclaim that certain treasured doctrines must be shelved during the years of national construction ; the golden mouthed capacity to appeal to the people's imagination. "If we are all to change our ways, we need someone like your wartime Churchill to tell us so," remarks your companion in the express on the new coastal railway. But he does not enjoy your retort which is that the wartime Churchill was not only an orator but a dictator.

Rights of the Soviet Citizen

THE new Soviet rulers inaugurated their reign by proclaiming a large-scale amnesty. The number of persons benefiting from this amnesty has never been revealed ; nor was it to be expected that the official organs would disclose these figures, since, at best, this would have been an open admission of the severity of the police regime prevailing up to Stalin's death. The first official reference to liberated prisoners was made this week by the Vice-Minister of Justice, who urged local authorities and trade unions to find employment for persons released under the amnesty.

Meanwhile, the new regime has used other methods to proclaim to the people that an era of greater freedom has begun. Since the freeing of the doctors the "constitutional rights of the Soviet citizen" have become one of the main themes of the Russian press. A recent *Pravda* editorial reiterated that "the workers of the state apparatus should watch over these rights" and that officials are "the servants of the people."

These abstract declarations of the leading articles are backed by concrete examples in the *feuilletons*. This is not entirely new, since to attack abuses has always been the chief task of the *feuilleton* writer. Yet, whereas recently he had attacked the civil servant for endangering the state by lack of vigilance, he now upbraids him for ill-treating the citizen. From acting as assistant to the prosecuting attorney, the *feuilleton* writer is becoming the advocate of the wrongly accused victim. The party and government have openly attacked the "criminal activities" of the prosecution in the case of the doctors and of the Georgian leaders. The newspapers now reveal similar abuses by the judicial organs in less important cases.

Thus *Izvestia*, under the title "Strange Logic," attacks the security organs and judges of Vinnitsa in the Ukraine. There a young woman, a member of Communist Youth, was condemned to ten years' imprisonment for stealing coal from the electrical works where she was employed. Her husband made inquiries and was told cynically to seek a divorce. His petitions for a retrial were simply ignored. It turned out in the end that the security services had prepared their indictment without a shred of evidence, and based it on the "strange logic" that the accused had stolen because she had the opportunity to do so. Even when the verdict was finally rescinded by a superior court, the security and judicial organs of Vinnitsa continued to defend it. Their legal tricks, their defence of the prestige of the uniform—*Izvestia* concludes—show that this was not merely a judicial error but a "violation of rights."

The Case of the Selfish Judge

Another strange case is reported from another Ukrainian town—Kamenets Podolsky. There a woman with children was expelled from her flat immediately after the war to make room for a judge. Nobody dared to risk the enmity of the powerful judge, who was a friend of the regional representative of the Ministry of Justice. When it was finally decided that the judge should leave the premises, it was only in order to move him to a better apartment, while the poor woman did not recover her flat but was put on a waiting list. "All this because this man is no ordinary mortal but a judge" comments the *feuilleton* writer, adding: "Is there in addition to Soviet law another one for Kamenets Podolsky ?"

All this may sound trivial. Yet, repeated regularly to the refrain of editorials, it must undermine the confidence of the security officials and also encourage ordinary Russians to stand up for their nominal rights. The Russians, particularly the intelligentsia, are quick to discern changes of policy and they must find food for thought in many details that look insignificant to the western observer. Thus *Mosbukniga*—Moscow's main second-hand bookshop—is putting out advertisements that it wants all sorts of Soviet and pre-revolutionary books and that it has for sale sets of the Great Soviet Encyclopaedia. Under Stalinism many books could not survive changes in the party line and often had to be withdrawn. This was the fate of the Great Encyclopaedia, of which many volumes had to be re-written or cancelled. How could a book like that be tolerated when it included among its contributors traitors like Trotsky, Tukhachevsky, Bukharin or Preobrazhensky ? Does *Mosbukniga's* advertisement imply that some of the anathemas of the Stalinist regime will now be lifted ?

One of the forgotten and disgraced leaders has already unexpectedly reappeared before the public eye. I. G. Petrovsky, the first Soviet People's Commissar for Internal Affairs and a former President of the Ukraine, disappeared from the scene during the purges in the late thirties. His son had been shot, and there were rumours that the father had committed suicide ; at all events, there was no trace of this old Bolshevik until a few days ago. Then it was suddenly announced that for his 75th birthday he was being awarded the Red Banner of Labour. In fact, he was 75 years old last year, but he had to wait for the death of his one-time friend Stalin to be rehabilitated and rewarded.

But the most striking change in the Soviet press, already noticed in these columns, is the almost total disappearance of quotations from Stalin. Now the Russians are told openly to speak for themselves and stop hiding behind other people's words. A witty, satirical poem in *Pravda* mocks Mitrofan Lukich, PhD, who can write on any subject with the "appropriate" quotations from "Chernyshevsky, Dokuchayev, Kluchevsky and Tolstoy" and uses them again when he is asked to explain the Five-Year Plans. Yet everyone knows well that it was Stalin, and not Chernyshevsky and the others, who was quoted *ad nauseam* on this and so many other topics.

Canada and the Republicans

FROM OUR OTTAWA CORRESPONDENT

THE contrast between a society with a revolutionary tradition and one with an evolutionary tradition is a fundamental one, and every week's events in Canada and the United States seem to prove it. This contrast goes a long way towards explaining the dismay and dislike which so many Canadians feel at the spectacle of United States processes of government viewed from their ringside seat. It also goes a long way towards explaining the lack of comprehension and the implicit suspicion with which so many Americans regard the monarchical and parliamentary government of Canada.

If any of the western powers should be an expert on how to live with the Republicans, it should be Canada. Canadians are more directly subject to all the enthusiasms and revulsions which sweep the United States, because they read more US magazines, hear more US radio programmes, and now see more US television than do any other people except the Americans themselves. By the same token, Canada must be more tolerant of the United States than any other of its allies. It gets two-thirds of its imports from, and sells more than half its exports to, the United States. It relies on US risk capital and technical skill to carry out a large part of its development programme. Its territorial defence is so closely integrated with American defence that war would inevitably see it under a single command. The United States actually has its own military installations in Newfoundland—a relic of wartime, when Newfoundland was not part of Canada, and a status which is granted nowhere in "Old Canada," though there are now a few US-manned radar stations.

No Illusions

It may be possible in Britain or Europe to cherish illusions about a "third force" and the idea of being independent of the United States. It is not possible in Canada. But it does not follow that it is easy for Canadians to live so closely alongside the United States. At the present stage in the development of US policies it is not easy.

When Mr Attlee made his recent speech about the difficulties of the United States constitution, and brought down the familiar wrath of Senator McCarthy, he was saying the things that many Canadians feel. Indeed, the theory has been advanced in private discussion here that, though it might take a hundred years, the most practical thing for the allies of the United States is to start now to foster a campaign for a drastic overhaul of the US Constitution.

The Canadian Government is usually very careful to avoid any open criticism of United States policy. Such influence as it does exert in Washington is exercised privately ; and it is usually quite unnoticed by the US public, press or Congress. Mr St Laurent, the Prime Minister, paid his first official visit to Washington early in May. He took the opportunity in frank and private discussions with Mr Eisenhower and members of his cabinet to speak with some vigour on two main points which had been causing anxiety to the Canadian government: the conduct of the truce negotiations at Panmunjom, and the trend of United States trade policy. His speech to the National Press Club seemed in the Canadian tradition to be extremely outspoken, particularly about trade policy. The joint communiqué issued after the talks mentioned these points in the usual turgid phraseology of communiqués. At the insistence of Mr Dulles it also included one sentence, of very little interest to the Canadians, about the war in Indo-China. This one sentence of Mr Dulles' devising was virtually the only part of the whole business which attracted any attention in the United States press. Canadians are coming to the conclusion that the only way to be noticed at all in the United States press is to be so stridently critical as to be offensive.

Unnoticed Protests

It is in fact all very trying. This period of Republican gestation in Washington is putting some strain on relations with Canada as well as with more remote countries. For reasons which seem good here the disagreement about the Korean truce talks has been kept largely under wraps. But

the disagreement about trade policy is vocal and urgent. Before Mr St Laurent's visit to Washington the government took the unusual step of accepting an opposition resolution in the House of Commons which urged him to "make further vigorous efforts to bring about the removal of US restrictions on the importation of Canadian agricultural products." The government also applauded a private member's protest against the Simpson tariff bill, now before the House Ways and Means Committee in Washington, which would impose progressive duties on lead and zinc imports into the United States. All these Canadian protests went unnoticed in the US press, and according to report they came as something of a surprise to Mr Eisenhower's cabinet members when Canadian ministers recounted them.

This is one reason why the forthcoming meeting of the Big Three has been welcomed here with relief. Relations with the United States had seemed to be reaching the point where the deterioration had to be halted somehow. It is obviously futile for any foreign country to enter into arguments with the irreconcilable wing of the Republican party. No one can win in a public slanging match with McCarthy. The President alone, it seems here, can right the present unhappy situation by speaking up for the things he professes to believe in. The great Canadian hope is not so much that the Bermuda meeting will lead to a further meeting with the Russians ; the more urgent requirement is that it should re-establish peace and harmony on our own western street. And from this "window on Washington" it seems that the only way to do this is for President Eisenhower to make up his mind that he cannot delay any longer the great choice which faces him. It is the choice between the unity of the Republican party and the unity of the western alliance.

Greece Under Papagos—II.

The Rally and its Rivals

FROM A SPECIAL CORRESPONDENT

THE government party in Athens, the Greek Rally, possesses the great advantage of an enormous majority in parliament. The opposition are powerless unless the government *bloc* disintegrates from within, and this does not appear likely. The rank and file government members are a docile lot. Some are new men, many are former members of parties of the right or centre, but almost all are passive and obedient. They owe their position to the prestige of Marshal Papagos, and have little future without his ticket. There seem to be no would-be founders of new splinter groups within their ranks.

The Marshal is represented by opposition cartoonists as permanently asleep, while power is wielded on his behalf by Mr Markezinis, the Minister of Co-ordination. But the Marshal is no puppet. He is important for three reasons. First, he certainly takes an active interest in defence and foreign policy. Second, it is his immense prestige that brings in the votes, and retains the confidence of the Greek people, especially of the peasants. Third, it is he that keeps together his principal lieutenants. Of these Mr Markezinis is without doubt the ablest. Energetic, ambitious and immensely self-confident, he has taken pains to give himself a public build-up that impresses even some of those whom it annoys. But his flamboyant personality invites criticism as well as admiration. The Marshal's authority can make him and the other leading members of the cabinet work as a team ; without this authority, things would be precarious. The Rally's impregnable position is thus due to the Marshal. If he remains strong and well, the Rally can look forward to several years of stable government.

Greek politics have always been personal. Not programmes but leaders have counted. Each leader had his clientele. Office for the leader meant jobs for the boys. The bureaucracy of Greece is swollen with them, for incoming governments have always brought more in than they pushed out. The same principle applies in the trade unions, where various bosses reward their followers with shares from the pork barrel. It is easy to condemn this system. But, like Tammany Hall in its great days, it performed a social function. It took care of the needy, if not always of the most deserving. Parties of ideas go well with modern social services, parties of personalities with old-fashioned Balkan individualism.

Pruning the Departmental Tree

The Greek Rally, though built around an eminent personality, is not, in its theorists' view, just another personal party. On the contrary, it has declared war on the old party system. Inspired by an unusual combination of Balkan-style nationalism and American thirst for efficiency, it proposes to modernise the body politic of Greece. Its most difficult task will be to reduce the numbers of the bureaucracy. That there are far too many government officials, and that they do far too little even for the very modest salaries that they receive, has been admitted by almost everyone for years past. All recent governments have promised, both to the bureaucratic-ridden Greek public and to the economy-minded American advisers, that they will take firm action. Mr Markezinis's bank merger is expected to dispense with some hundreds of superfluous bank clerks. When the decentralisation of the administration and transfer of funds and powers to local authorities have been in operation for some time there should be some further saving of personnel.

But this is only a beginning. Rhetoric is no substitute for measures. It is easy to denounce parasitic idlers, and to contrast them with those patriotic civil servants who really do a full day's work. It is easy to inveigh against corruption and extol honesty. The problem is not so simple. With the exception of the highest civil servants—who are probably as able, as overworked and as harassed as their counterparts in Western Europe—Greek bureaucrats are idle not so much from inherent laziness as from lack of real work to do. Since the war—or even longer—jobs in the public service have been treated as a dole. The inflation of the bureaucracy is one consequence of the basic overpopulation and economic weakness of Greece. Corruption, too, has economic causes. Underpaid officials, who possess little chunks of power over the lives of citizens, are under pressure to sell these at their market price. It cannot be expected that all will resist the pressure. The remedy seems obvious: dismiss a large number of bureaucrats, and pay those who remain a decent salary. But to decide who shall be dismissed is not simple, and to throw people on the streets is not easy.

The same inflation of the labour force exists in a large part of industry. The preposterously high harbour dues of Peiraeus are caused by the large number of employees. The high price of Greek tobacco is partly due to the excessive labour force, maintained by the pressure of the trade unions, which in this case are under strong Communist influence. The government has recently passed legislation to retire elderly tobacco workers and to increase the proportion of women workers. This will reduce the labour force of the Kavalla area from about 20,000 to 12,000. But it is not so easy to apply such measures elsewhere, at the expense of persons of unimpeachable orthodoxy.

It seems likely that the government will nevertheless make a real effort to reduce the bureaucracy, even at the cost of hardship. But the fundamental dilemma remains. If the defects of the old system are to go, a substitute must also be found for its merits. The old system of patronage and "protection" must be replaced by twentieth century welfare services that work. But for these Greece's resources remain slender.

The Weak and the Weary

The Rally has a programme, and some of its leaders have ideas. The opposition, now miserably weak in parliament, is rent by personal quarrels. The party of the moderate left (EPEK), nominally led by the elderly and frail General Plastiras, is divided between those who would like to reunite with the Liberals led by Sophocles Venizelos, and those who wish a more radical policy. The most able radical leader, Mr Kartalis, has now formed a new group.

The Communists, of course, have a policy, the same as always and everywhere. Their illegal organisation is at present ineffective, but they enjoy a good deal of passive sympathy among the working class, especially in Peiraeus and Kavalla. They are helped by the poverty and wretched housing in the industrial centres. They can exploit certain abuses and scandals in the official trade union organisation, and make some use of anti-American slogans. The Papagos government has been careful not to make martyrs of the Communists. The Greek police is efficient, and can stop subversive activity. But it does not waste its energies on indiscriminate persecution of leftists. The atmosphere has grown a good deal calmer since the end of the civil war. There is surprisingly little "McCarthyism" in Greece. (Mr Cohn and Mr Schine paid a brief visit to Athens on their European tour, but they confined their attention to their own compatriots.) There is, however, little likelihood that the Communist party will be allowed to operate legally in the near future. Perhaps the main argument against is that it would provoke rowdyism on the extreme right, of which there has been little for some years.

One more feature of the Greek scene deserves a few words. It is hard to define, but not less important for that reason. It is a certain intellectual weariness. In a country of the social structure of Greece, the political influence of the intelligentsia, and especially of students and young graduates, is much greater than in a western country. Between the wars Greek intellectuals gravitated towards the left. During its prime the Communist movement enjoyed the sympathy of many intellectuals, particularly of school-teachers, from whom indeed a large part of its cadres was recruited. The civil war deprived Greece of thousands of educated people. Some were killed, some fled to Soviet satellite territory, some lost their jobs in purges. They have not yet been entirely replaced. Among the rising generation many are bewildered and aimless. They are disgusted with Communism, but there is little new to capture their imaginations. They demand something better than the nationalist eloquence of Rally spokesmen, or the oft-repeated slogans of the liberal opposition, or the charms of a prefabricated American way of life. It is, of course, utopian to expect that their intellectual needs can be quickly supplied. Their best hope is that, as the Rally's policies are carried out, a new atmosphere may be created, one in which their intelligence, their effort and their courage can be used.

The Greeks have toiled and suffered in the last decade as much as any people in Europe. Their troubles are not over. Their economy is still weak and vulnerable. Their country is geographically exposed. The dangers which threaten it may not diminish for a long time yet. But in the last five years the change and the improvement are striking. The Greeks can face the future without false optimism but with a fair amount of sober self-confidence.

(*Concluded*)

Economic Integration in Eastern Europe—I

The Satellites' Linked Economies

THE change over in the Kremlin has made this a good moment at which to survey the progress made towards the closer economic integration of eastern Europe under the control of Moscow. It is a subject on which the Communists have been noticeably reticent, although since last October there have been several glowing accounts in the Soviet and satellite press of the "relations of a wholly new type" that now link the economies of the Communist bloc. Whereas—so the story runs—the "socialist market" is based on full equality, mutual respect and close co-operation, the "capitalist market," where "predatory laws, anarchy and savage rivalry" prevail, is subject to disastrous fluctuations and to the economic dictatorship of Wall Street. But the work of the Council for Mutual Economic Aid (Comecon) set up four years ago to control and co-ordinate the economic activities of the Soviet bloc (including, it now appears, China as well) is still kept very much in the background.

In his "Economic Problems of Socialism in the USSR," Stalin said that as a result of its rapid industrial development the Communist bloc would soon have no need to import, but would itself be seeking markets for its surplus products. In the meantime, however, the bloc certainly needs equipment from the West for its industrial development plans, and will more and more need new raw materials from the underdeveloped territories ; and this is probably why it still seems anxious to preserve and even enlarge its trade links with the outside world. At the same time Communist spokesmen in eastern Europe frequently congratulate themselves on the growing extent to which their trade is concentrated within the bloc, including China.

According to a tentative estimate by the Economic Commission for Europe, trade between the countries of eastern Europe was by 1951 ten times greater than in 1938 (when it was admittedly very small). Communist sources give the proportion of each satellite's foreign trade within the bloc in 1951 as follows: Albania 100 per cent ; Bulgaria, 92 ; Hungary, 67 ; Czechoslovakia, 60 ; Poland, 58 per cent. And, according to a provisional Communist estimate, trade

within the bloc last year was 22 per cent above the 1951 level. If the actual volume of this trade is still comparatively small by western standards, the reorientation is none the less striking. It has perhaps been most drastic in the case of Czechoslovakia. Mr Zapotocky pointed out last December that, whereas in 1948 70 per cent of his country's foreign trade was with the West, and the remaining 30 per cent with the eastern bloc, in 1952 the proportions had been exactly reversed.

Kicking Heels in Moscow

The Soviet Union is now openly linked to the satellites (including Eastern Germany but excluding Bulgaria and Albania) by a network of long-term trade agreements, lasting for four, five or six years. In addition, the existing bilateral trade agreements between the satellites are being gradually replaced by similar long-term agreements; nine of these have already been signed. Within the framework of the Soviet-satellite long-term agreements, supplementary protocols, usually for one year, are concluded. Each year, the satellite ministers for foreign trade make pilgrimage to Moscow, where they are often kept kicking their heels for months before they can complete the detailed arrangements for the year's exchanges—and no doubt make satisfactory excuses for any failings during the previous year. They also receive instructions on the exact extent and nature of their permissible trade with the West. At the time of Stalin's death it transpired that most of the satellite foreign trade ministers were already conveniently on hand in Moscow to attend the funeral.

It is obvious that the control established by Moscow over so much of the foreign trade of its satellites also helps it to direct their industrial plans. It can hardly have been an accident that the conclusion of the long-term agreements has generally coincided with the inauguration of each satellite's five-year industrial development plan. How much co-ordination of these plans has been achieved, and how much specialisation attempted? On the face of it, not much; for each country is planning to build up its own set of basic industries, and, as the ECE has pointed out, many of the planned increases in production are strikingly similar in each country.

Yet satellite ministers repeatedly insist that co-ordination and specialisation are definite aims. In the words of Mr Szyr, the Polish Minister of planning:

> "the production plans of the different countries are interrelated so that each can specialise in the production of export commodities most advantageous for its economy."

Early this year, Mr Dvorak, the Czechoslovak Minister of Foreign Trade, wrote in *Rude Pravo* that inside the socialist camp "the first schemes of the co-ordination of production programmes are already being carried out." Concrete evidence of this co-ordination, however, is hard to come by. The upward revision (on instructions from Moscow) of the Czech, Polish, Hungarian and East German five-year plans in 1950 and 1951 evidently provided an opportunity to introduce some specialisation between the four countries; the production of railway trucks, for instance, was stepped up in Poland and decreased in East Germany. And last November Mr Laszlo Gay, the Hungarian Deputy Foreign Trade Minister, writing in the Cominform journal, spoke of a series of inter-satellite agreements under which each country undertook to specialise in the production of certain types of rolled metal.

On the other hand, co-operation between the satellites for the joint exploitation of their economic resources, which seems to have got off to a slow start, increased noticeably last year—or was given more publicity. Last June, for instance, Hungary and Rumania agreed to build a chemical combine in Rumania using Rumanian natural gas and Hungarian machinery and equipment; to build a pipeline between the Rumanian gas fields and a Hungarian chemical plant; to develop the Rumanian sodium nitrate industry with the help of Hungarian machinery and equipment; to connect the high tension electric grids of the two countries; and to set up a mixed company, concerned apparently with the operation of all the above projects. Similarly, Czechoslovakia has agreed to take a hand in the production of aluminium from Hungarian bauxite. Czechoslovakia is supplying Hungary with power station equipment, and Hungarian workers and equipment are being used in the construction of aluminium processing plants in Czechoslovakia. (Aluminium for the construction of aircraft is no doubt in great demand.) Under a third agreement concluded last year, a mixed East German-Rumanian company is being set up for the development of Rumania's chemical industry.

There have also been a number of reports, whose exact significance is hard to assess, of inter-satellite co-operation in specific projects; the Czech Skoda works and the Hungarian Mavag enterprise, for instance, are said to be collaborating in building river ships. A plan to merge Czech and Polish iron and steel works into a huge "Oderbass" combine has been revealed. And although most technical help comes from the Soviet Union, there is evidence that the satellites also recruit experts from each other. At Dimitrovgrad, the new industrial centre in Bulgaria, Czech and Polish specialists have been supervising important constructional work; and in Poland, Czech experts are helping to manufacture crystalline penicillin.

This east European trend towards closer economic integration might, in other circumstances, be altogether praiseworthy. But unfortunately, all this activity is designed not to promote the welfare and prosperity of the countries of Eastern Europe, but to serve the aims and ambitions of the Soviet Union. How the Soviet Union controls and exploits the satellite economies will be described in a further article.

(To be concluded)

Poppy Juice

FROM OUR UNITED NATIONS CORRESPONDENT

THE calling of two United Nations conferences on narcotics within two months should not be construed as meaning either that the smugglers have got newly out of hand, or that drug addiction has taken on extra dimensions. The Korean delegate to the present Opium Conference did indeed quote press reports that New York youth spends millions of dollars a year on drugs; but the charge, like the Egyptian complaint that British occupation of the Suez Canal Zone makes it harder to control illicit drug traffic, was more of a political feint than a disclosure calling for international action. It is, however, being said more seriously in the UN corridors that the situation in Persia, where illicit trade in opium is supplying income lost when licit trade in oil ceased, is causing Britain and the United States both worry and embarrassment.

These are, however, side issues. The two conferences were called to consider two quite separate attacks on the old problem of controlling world drug production and trade in such a way that medicine can get the supplies it needs while addicts are deprived of the narcotics they crave. The first of these attacks is long-term, the second is a stop-gap attempt to hold postwar production and trade in check until adequate modern control measures can be framed. Only in the view of Russia is there conflict between the two. The Soviet Union has, with some reason, preferred to devote all its energies to long-term attack. No Soviet or satellite representatives are attending the second conference.

The long-term attack takes the form of a single proposed convention which will codify the eight existing international agreements on drug control, and plug holes not yet covered by international documents. This convention was drafted in 1950 for the United Nations Narcotics Commission, the successor to a similar body created by the League of Nations. It was this commission, composed of narcotics experts from fifteen nations, observers from six others, and representatives of the Permanent Central Opium Board and the Drug Supervisory Body (both of prewar vintage) which met in March. Working at the speed of a fast glacier, it has since 1950 approved 33 out of 51 sections of the proposed convention. Several more years will probably elapse before the document is in force.

Meanwhile a second effort had been started in the postwar rush to tidy up the world. Alarmed by a 1946 report that "raw opium production far exceeds the legitimate requirements," and that "any unnecessary delay in the limitation of raw opium production may result in a dangerous situation for the whole world," and rightly foreseeing long delay in finishing the single convention, certain nations drew up an interim agreement proposing that a new international monopoly be created for the purchase, sale and distribution of narcotics. When this idea withered under opposition, the French framed as a substitute a "draft protocol for regulating the production of, international and wholesale trade in, and use of opium." It is this document that is now under consideration in the "big glass house" in New York by the representatives of the nations—including Western Germany, making its first UN appearance.

700 Legal Tons

The object of their concern is 700 tons of legal opium—the amount now used for medical and scientific purposes throughout the world—plus whatever additional amount finds its way into illicit trade. The present cost of legal opium is about $16.50 per kilogram, which means that the total licit supply is assessed at about $11,550,000. The cost of whatever additional supplies the smugglers handle makes diamonds seem cheap.

Most opium is grown in seven countries, Bulgaria, Greece, India, Persia, Russia, Turkey and Jugoslavia. To the Permanent Central Opium Board the critical figures are those of production, export, import, use and stocks, and the board has for years reported difficulty in getting accurate replies on all these items. The figures for 1951 are shown in the accompanying table.

To this counted treasure must be added the unreported opium produced in China, the amounts which countries produce but do not fully report, and such dramatic finds as have been discovered in Mexico, where many remote mountain fields were sown and harvested until airborne inspectors enlisted the army to rout them out.

The newest attempts at control, as embodied in the draft protocol, continue in the main along accepted lines. Use, export and import of opium are to be limited to medical and scientific needs—a provision implied in earlier documents, but not so clearly stated. National opium monopolies are to be established in producing countries and to control through a process of licensing, buying and trading. Such monopolies exist in the principal producing countries, but all are not yet equally effective.

On the other hand, two features have come under general attack. One would limit the legal exportation of opium to countries which exported in 1950. No one wants to increase the number of countries which produce the drug, but it has been pointed out that since each of these countries has a national government monopoly, limitation by protocol might lead to the kind of international monopoly and price-fixing which was frowned on when the interim agreement was refused. It might also boost synthetic production.

RAW OPIUM RETURNS, 1951
(Kilograms)

Country	Production	Import	Use in country	Export	Stock at year's end
Bulgaria	940	...	...	6,058	1,967
Greece	15	...	...	...	151
India	526,677	...	162,149	303,461	381,510
Persia	32,238	...	186	265,541	225,370
Turkey	357,750	...	...	172,955	184,527
USSR	93,800	11,351	110,660	560	11,270
Jugoslavia	21,958	...	9,507	5,410	12,359

Source: Permanent Central Opium Control Board.

The other controversial feature is an attempt to limit opium stocks. The balance as between crops, exports and stocks is delicate, and it is generally believed that if international control is to reach into one, it must have a hand on the others. Charges that selling countries were limiting stocks so as to manipulate prices would be as inevitable as charges that buying countries were trying to increase them for the same purpose.

Meanwhile, there hangs over the whole conference a certain air of unreality, stemming in part from the absence not only of Russia but also of the great opium producing country, mainland China. Experts have been heard to wonder what it may be worth to bring together the representatives of seventy countries, two-thirds of them laymen in this complicated matter, for the purpose of persuading a handful of careless or recalcitrant nations to live up to promises already made. It is significant that the delegates' first act was to pass a resolution meant to lessen irrelevancies by specifically confining their labours to the particular protocol under discussion.

No less productive of scepticism is the feeling that while the postwar opium situation may demand even stronger controls than now exist, the industry in its present form is a dying one. The labour cost of producing raw opium would be intolerable in countries further along the road to industrial development than are the seven big producers. Already the use, for medical manufacture, of poppy straw rivals that of the sticky juice produced by hand incision of each poppy cap. Synthetic narcotics are in their infancy, but the rapid pace of laboratory manufacture of other drugs leads one to wonder how soon the whole system of control of opium as an agricultural product may have to be modified in order to handle it as a coal tar derivative.

THE BUSINESS WORLD

Power and Steel

THE Minister of Supply has lost no time in appointing an Iron and Steel Board under the new Steel Act to exercise a "general supervision over the iron and steel industry" (though a petty hitch appears to have prevented the Treasury from announcing the membership of the steel realisation agency at the same time). And one has only to compare this board with any of the existing boards of nationalised industries to see that it promises to be exceptionally strong and expert. Certain disadvantages are inherent in the form of a representative Board, but the part-time membership here comprises an impressive array of skill and knowledge from steel and other industries; moreover, trade union participation has been successfully achieved. However, the main nucleus of strength lies in the three full-time appointments to the Board. It had been known for a long time that Sir Archibald Forbes would become its chairman, provided that "full-time" could be interpreted with reasonable latitude, and Mr Sandys had for months been expressing his private confidence that he could also recruit Sir Lincoln Evans, who has become vice-chairman. So perhaps the most significant news last week was that Mr Robert Shone had resigned his post as director of the British Iron and Steel Federation to become the board's third full-time member.

It was not until early last week that this appointment to the new board began to be generally discussed in the industry. It has occasioned some surprise and much conjecture. Mr Shone's great capacity and his unequalled knowledge of the central direction of the British steel industry are not in question; it is the transfer of that capacity and knowledge from the traditional nexus of power in the industry to the new organ of public supervision that has impressed steelmakers.

Whether the British steel industry, restored to private ownership, could be supervised in the public interest has always depended essentially upon the balance of power that might come about between the British Iron and Steel Federation and any new body set up to supervise the industry. The latest Steel Act charges the Iron and Steel Board with large responsibilities, "with a view to promoting the efficient, economic and adequate supply under competitive conditions of iron and steel products." The board has to review the industry's productive capacity; the procurement of raw materials; iron and steel prices; research and training; safety, health and welfare; and joint consultation (except over terms and conditions of employment). The board's powers, too, are in form fairly comprehensive. But the only existing organisation in the industry that has ever commanded the knowledge, the acceptance, and the skill to exercise so sweeping a degree of supervision—it goes almost without saying that the nationalised corporation never did—is the British Iron and Steel Federation.

This practical concentration of power and administrative ability in the industry has been recognised in all government dealings with steel since the thirties, whatever the formal pattern laid down. The federation commanded the approval of the Import Duties Advisory Committee; it staffed the wartime control; it drew up the industry's postwar development plan and, with some reference to the first postwar Steel Board and subsequently to the Iron and Steel Corporation, supervised its successful completion. It collected such statistics as the government required for the purposes of price control and steel allocation; it arranged the imports of raw materials for the industry and managed the complicated levy and subsidy arrangements within the steel price structure; and yet it remained a highly effective spokesman for the industry, even in controversy with

the governments as whose agent it was acting. The 1953 Steel Act provides that the board may "arrange for the compilation of" steel statistics instead of collecting them itself; and this had generally been interpreted to mean that the actual work would once again be left to the federation. It appeared, too, that the main executive responsibility for detailed price administration might have to remain in Steel House, since the price structure is inextricably linked with the levy arrangements operated by the federation's agencies for buying raw materials.

It always seemed open to question, therefore, where power and initiative would really be exerted in the denationalised industry, whatever the appearances. During the months of preliminary discussion of steel de-nationalisation, further uncertainty was created by the death of Sir Andrew Duncan, the federation's independent chairman. Sir Andrew, it is worth noting, was in effect appointed to his dominant position in the steel industry by a coalition government during the thirties, not by the industry itself; and that fact gave him, and the federation under his leadership, a certain degree of independent strength that an appointee of the steel companies might never have been able to wield. The federation has not yet appointed a successor to Sir Andrew—partly, it appears, because of the changes pending in the structure of the industry; and the existence of this important vacancy was probably not without its bearing upon the appointment of the new Iron and Steel Board. Whether an independent chairman of calibre comparable to the last will now be appointed by the federation remains to be seen.

Whatever the full implications of the appointments to the new board, it seems beyond doubt that Sir Archibald Forbes and Mr Shone, even alone, might constitute perhaps the best-informed independent authority upon steel pricing arrangements ever assembled outside Steel House. The board's powers to fix maximum prices for iron and steel products do not come into operation while the Minister of Supply is controlling steel prices under defence regulations; but it may be that the Minister will hand this responsibility over to the board at an early date. It seems possible, too, that the board may now decide to discharge its duty of compiling statistics of the industry by doing the work itself.

Even if the board were to do this, very large responsibilities would remain with the federation. It controls the central buying agencies for imported iron ore and steel-making scrap. The board's powers to import materials itself could be put into practice only if it (and the Minister) considered existing arrangements were not satisfactory; and at present, obviously, the federation's arrangements are. These functions of the federation are in addition to its broad operations as a highly organised trade association, working through conferences that cover particular groups of steel products. A further additional responsibility that remains in its hands is the control of the "industry fund" and the levy-subsidy arrangements. This would, of course, remain with the federation; but the board's powers of price control would obviously limit the flexibility with which these arrangements could be varied. The levy can, of course, be changed without altering prices; but it is subject to the scrutiny of the Minister—and of the board.

★

Any changes of executive responsibility for such matters are questions yet to be decided—by the Minister and the board, presumably after consultation with the federation. But the appointments to the new board tend to strengthen the conclusion voiced in these columns last August when the board's functions were first outlined in a white paper on steel denationalisation—the conclusion that the board has been given

> power to take over every significant function of the federation; from the time that the Bill becomes law, the federation will exist and work only on sufferance of the board and the Minister.

Whether this result is considered desirable may depend upon different opinions about the degree of central control this industry needs and the extent to which such supervision should be public supervision. But it must certainly be said that the board seems admirably equipped to bring about the ends that the Government desired—and indeed perhaps some of the ends that the less doctrinaire among its opponents would consider advisable for British steel.

Mr Strauss often used to talk of steel nationalisation as a way of curbing the power of Steel House; but his way failed utterly. It would not be fair to infer that the views of the present Minister of Supply about Steel House differ from those of his predecessor only in degree: Mr Sandys has the federation to thank for an entirely successful delaying action against the nationalised state corporation, ensuring that the industry suffered little botching during its nine months of public ownership under a Socialist government (before the present Government directed the corporation to "hold the position"). But in discussions on the Steel Bill, the present Minister's view appears to have been that the federation should simply be considered as an ordinary manufacturers' trade association; and some of the most level-headed people in the federation have long argued that if steel denationalisation was to be given a fair chance of enduring, part of the real as well as the formal power would have to be transferred to the new board. The eventual balance of power in the British steel industry may take a long time to decide. Nor, with the return of the industry to private ownership under the supervision of a board convinced of the value of private enterprise, is there any reason to look for any considerable—and certainly not any public—conflict of interest within it. It might seem ironical if it should appear, with the years, that Mr Sandys has succeeded by consent where Mr Strauss failed with *force majeure;* but it might, also, promise a more hopeful and less political answer to the problem of British steel.

Business Notes

No Queue at the "Pru"

SINCE it owns a portfolio of securities with a book value of £530 million—and with a market value greater than that—the Prudential Assurance Company stands in the van of institutional investors in this country. In his valedictory address to shareholders, the retiring chairman, Sir George Barstow, could therefore speak as one of the few people in the City with money on hand to lend. Sir George emphasised, of course, that a life office must always put the interests of its policyholders first, and that its participation in venture capital has perforce to be limited; at the end of last year, for instance, the "Pru" held only £75½ million, or 11.4 per cent of its total assets, in equities. It has recently been increasing its proportion of equities—although only at a moderate pace. Last year it divided its new investments almost exactly in fifths between ordinary shares, gilt-edged securities, debentures, properties and mortgages, and miscellaneous investments. The company took up most of these new equity shares by subscribing to new issues by leading industrial companies; on the scale on which it transacts business, purchases of existing equities on the Stock Exchange would often turn the market against it.

But, whilst recognising the shortage of private savings, Sir George emphatically denies that there is a lenders' market in the city. "At no time in the past few years," he maintains, "have we been in the position of turning away sound offers of investment because of a shortage of funds on our part." Sir George agrees that this experience "does not necessarily conflict with the fact that savings are inadequate"; and finds part of the explanation in the fact that "a considerable amount of capital expenditure has been financed out of liquid resources or by short term borrowing by the government and others." But surely, behind this, lies another and even more vital point—that Britain, which is not saving enough to make adequate provision for the future, has had to cut down demand for investment (by taxation and other means) until it matches the supply of savings that is available? It would be a pity if this vicious circle led anybody to underestimate the gravity of the country's risk capital problem today.

Banning Export Bonuses?

THE communiqué issued at the close of the recent Anglo-German economic discussions emphasised the importance that Britain attaches to the subject of export bonus arrangements such as the dollar retention scheme that Germany has operated until recently. At the end of the talks both delegations condemned these schemes on the two-fold ground that they tend to distort the pattern of international trade and that they have the effect of impairing free competition. The campaign that the British Government has been waging against these schemes is now to be supported by more vigorous action on the part of the International Monetary Fund. A statement issued recently from Washington announced that the Fund is about to begin discussions with member countries with a view to agreeing on a common programme for abolishing export bonus schemes involving the retention of a proportion of the hard currency proceeds of exports. The Fund attitude on this issue should be absolutely clear-cut. Dollar retention schemes, with their implication that there are free markets in which the retained dollars can be sold at a premium, offend against many basic tenets of the Fund's philosophy. They encourage unofficial markets and, therefore, multiple rate practices; they involve discrimination; and they undermine the official parities of the currencies concerned.

Now that Western Germany has agreed to abolish its dollar export bonus schemes, the main European survivors of this type of arrangement are those operated by France and the Netherlands. The French scheme, however, can at present be regarded merely as a small but essential factor in correcting the gross overvaluation of the franc in the exchange market. It gives French exports to the dollar markets an advantage that only partially offsets the weighty handicap represented by the present artificial parity of the currency. It would be unreasonable, therefore, to expect France to abandon its dollar retention scheme until the whole exchange situation has been dealt with by more radical methods, involving some realignment of the exchange value of the currency. The Dutch dollar retention scheme is less justifiable; in view of the extreme creditor position of the Netherlands in EPU, it ought to be abandoned forthwith. The Dutch authorities, conscious of the importance of entrepôt trade to their country may, however, be expected to put up the strongest resistance to any demand for the abolition of this scheme.

Prospects for Steel Exports

IN 1951 the total volume of world steel exports amounted to about 22½ million metric tons of steel (ingot equivalent), which was the highest on record; the countries now comprising Schumania controlled 62 per cent of this trade, the United States about 17 per cent, and Britain about 11 per cent of it. The United States, Russia and Japan, which have at times been fairly large importers,

must be counted somewhat erratic markets for European steel. Certain rapidly developing countries, such as the more advanced British Dominions, have been regular importers but seem likely fairly soon to cut down their steel imports from Europe. So it is "the rest of the world"—primarily the much discussed under-developed countries—that must constitute in future the main steady market for European steel. The Economic Commission for Europe has just completed a characteristically painstaking market survey of prospects for "European Steel Exports." Its heavily qualified general "projections" of possible levels of export during the next seven years are of considerable interest—though the main usefulness of the report perhaps lies in its convenient summary of the steel market and potential production in some of the individual countries now buying European steel.

The Commission thinks that Europe's "irregular markets"—Eastern Europe, Russia, China, Japan, the United States, and Canada—which together bought 3½ million metric tons of steel from Western Europe in 1951 (though less than a million tons in 1949) can be expected to buy nearly two million tons a year in future and might

STEEL EXPORTS FROM WESTERN EUROPE
(million metric tons of crude steel)

	Average 1936/38	1951	Estimate for 1956		Estimate for 1960	
			High	Low	High	Low
To "regular markets"	4·3	6·7	7·0	5·9	8·4	5·4
To "irregular markets"	1·8*	3·5	3·5	1·8	3·5	1·8
TOTAL	6·1†	10·2	10·5	7·7	11·9	7·2

* Estimate. † Includes small tonnages exported from Eastern Europe.

even buy as much as in 1951. Its estimates of possible European steel sales to "regular markets"—the under-developed countries and parts of the Commonwealth—have been made within two limiting sets of assumptions. The first assumes that steel consumption there might increase on the average by 6 per cent each year, and the second that the rate of increase might average no more than 3 per cent.

These "projections" for 1956 and 1960 are shown in the table. The Commission has not joined to them any detailed estimates of production levels; it says only that "on the basis of present planning, production capacity would appear to be capable of meeting, in full, both export and home demands." In present circumstances, this may seem to put it rather mildly. The question may rather become whether export and home demand will be capable of employing adequately and economically the capacity that may be available; and this question may be an anxious one in areas such as Benelux, where exports take about two-thirds of total production. The Commission holds that present trends in costs should enable European steel producers to remain fully competitive with American and perhaps with Japanese. But any slackening in the domestic employment of a vast and expanding steel capacity in the United States might alter the traditional policies of American steel makers towards more aggressive marketing.

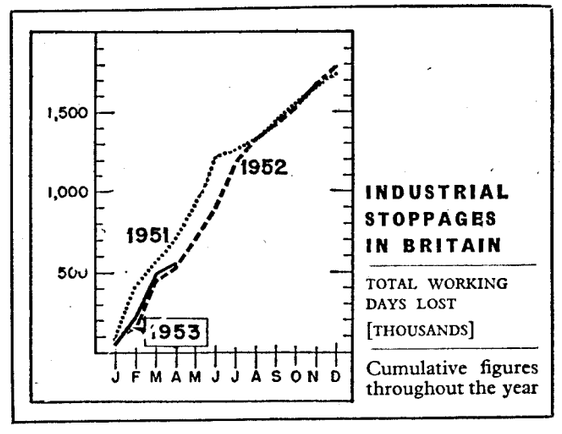
More Freedom for Cotton

COTTON spinners have been given until July 11th—eleven days beyond the original date—to make their second annual choice of whether to buy their raw cotton through the Raw Cotton Commission or on their own account (as about 30 per cent are already doing). The postponement is designed to give millowners a longer time in which to consider the report of the Hopkins Committee on the importation of raw cotton; this report has now been completed and presented to ministers, and will be published in about two weeks' time. The proposals of the committee, which was under the chairmanship of Sir Richard Hopkins, may decide—and will certainly influence—the future of the Raw Cotton Commission. But, as there is already freedom to "contract out" of buying raw cotton through the commission, there does not seem to be any strong case for throwing this body on to the bonfire that has consumed so many other official trading organisations. What the industry will particularly look for in the Hopkins report, therefore, is some scheme for providing cover in the continued absence of a futures market.

One small step towards greater freedom was taken recently when the government permitted unrestricted imports of raw cotton from non-dollar and non-sterling countries—mainly Egypt, Brazil, Peru and Turkey. This concession is not a major one, because demand for this sort of cotton—especially at the prices that Brazil and Turkey are asking—is not abundant. Its motive is probably to be found in pressure on the Treasury to make it possible for these countries to earn a little more sterling if they quote the right prices, rather than in pressure from Lancashire for a little more freedom from import controls.

Cars on the Move

THE rate of production in the motor industry rose sharply in April, owing no doubt to the gradual resumption of work at the Austin factory. Although the month's production of cars, at 44,000, was 4,000 less than in March,



the drop was more than accounted for by the difference between the numbers of working days in the two months. The weekly rate of output rose from 9,600 cars in March to about 11,000 in April, an improvement that spurred the industry to publish its estimate of the April total with more despatch than is usual; the figures appeared within a few days of those for the first quarter of the year, discussed in these columns last week.

This improvement in car production reflects a return to the normal seasonal pattern, and was apparently common to the principal car producing countries in Europe. German output rose from 24,677 cars in January to 26,248 in March, and French from 30,026 to 32,631 during the same period. In the first quarter, Germany exported about 27,000 cars, France 19,000, and Italy 7,000, making a total of 53,000 for the three countries, compared with the British figure of 67,000 for the same period. Last year the comparison was strikingly different: the British industry then shipped nearly 101,000 cars abroad during the first quarter and the European producers less than half that number—actually 48,000. British exports in April, estimated at 25,600 cars, are about 1,300 fewer than in April last year, although 9,000 more cars were produced. This is a measure of the industry's growing dependence on the home market. The warning that "inevitably the waiting list on the home market for some models will be lengthened," which was published with the April production figures may not portend a condition that is likely to persist for long—if, indeed, it occurs at all. Now that supplies of materials are freely available, the individual manufacturers must surely have lost their business acumen if, with spare capacity available, they run the risk of losing orders to competitors who can offer early delivery.

Sorting the Lorries for Sale

THE first responsibility of the new Road Haulage Disposal Board, whose members were announced in Parliament last week, will be to help the Transport Commission decide on the "transport units" in which the commission has been directed to sell its lorries. This is obviously a task requiring knowledge of the haulage industry as well as financial experience, and the appointments to the board, which will be headed by Sir Malcolm Trustram Eve, seem well suited to the purpose. Little indication has yet been given of the principles upon which this sorting out of units will be based. It does not seem to be clear whether the main intention will be to dispose of operating services, and the lorries employed on them; of depots and such lorries as are now based there; or of separate groups of lorries, large and small. No doubt the principles adopted will vary from place to place; but the task of arrangement will obviously be a somewhat complex one, even before the process of actual resale begins. It was said at the outset that the Government would not expect to get anything for the combined goodwill of the Road Haulage Executive (as against the large sums paid for goodwill of the individual haulage firms bought by the executive); but there have been references to the value of the operating licences that are bestowed, as a matter of right, on the purchasers of state lorries. The question of finding the money now appears less formidable than it did a year ago—partly because of the hire purchase arrangements now being offered by certain finance companies.

Wheat Prospects Good

PRESENT estimates of wheat harvests in the main producing countries, taken together with estimates of the carry-over from the current season, suggest that supplies will be ample in 1953-54. This prospect is of special interest to Britain, which did not enter the proposed new International Wheat Agreement that gives a guarantee of wheat supplies up to a prescribed quantity at $2.05 a bushel, in place of the current guarantee of $1.86. The American winter wheat harvest is estimated at 729.8 million bushels, compared with a final return of 1,053 million bushels of winter and spring wheat for the current year. If only 280 million bushels are added for spring wheat, the year's harvest will amount to about 1,010 million bushels; with the estimated carry-over from the present year of about 550 million bushels, this would total 1,560 million bushels of available American wheat—a little more than the total harvest available this year, when the price has had to be supported by the American Government. It seems almost certain, now, that acreage restrictions will be imposed in the United States for the 1954 harvest.

Good harvests are also expected in other important wheat producing countries. Spring rains have been satisfactory in most of the Canadian wheat provinces, and after some delay in seeding in the west on account of low temperatures, warm weather is now reported. In Argentina last month's weather was satisfactory for working the seeding-beds for cereals, and a slightly increased acreage is expected, though labour shortage may limit supplies. A more conservative view is taken of the prospects in Australia, where in the east there was a dry spell, although in the west rain has been sufficient so far. In India a larger harvest and smaller imports next year than this are indicated; on the other hand Pakistan may have a small harvest and may have to import wheat. Reports from the Middle East and North Africa are fair, as are also those from Western Europe, with possibilities of a large crop in France. These harvest prospects, taken in conjunction with a total carry-over at July 31, 1953, for the United States, Canada, Argentina and Australia, estimated by the *Corn Trade News* at 1,076 million bushels, compared with 503 million bushels last year, suggest that there will certainly be more wheat available in 1953-54 than there has been during 1952-53.

The Price of Gold

WHILE an American spokesman at the Vienna meeting of the International Chamber of Commerce was proposing—strictly on his own private initiative—that the dollar price of gold should be doubled, the free market price of the metal was nearing its lowest level since the end of the war. The dollar quotation in the most



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important Continental market has recently touched $36.75 per ounce, and is now hovering in that neighbourhood without sizeable business passing. The two dominant factors in the market are the peace moves, which have inevitably reduced the hoarding demand for gold in the Middle and Far East, and, on the supply side, the persistent offers of newly-mined metal that have to be absorbed by the premium market week after week. Even the smuggling demand for India is now at a low ebb by reason of the spread of the monsoon, which effectively prevents the small smugglers' ships from making their voyages from the traditional transit ports on the Arabian coast and which also damps down the activity of the bullion market in Bombay.

The mounting uncertainties in the French monetary and political situation might have been expected to stimulate the demand for gold in the Paris market, but the response so far has been meagre. This is not altogether surprising. The gold sent or smuggled into France has ultimately to be paid for in hard currency—dollars or Swiss francs—and supplies of such currencies that can be made available through the various black markets in French francs are limited. Moreover, France has provided the main demand for free gold for about two years and there is a limit beyond which the canalisation of French savings into gold bars and coins cannot readily expand. That limit has been nearly reached. These tendencies suggest that the free market price of gold is unlikely to recover appreciably beyond the present level unless unforeseen developments occur in the international political situation.

Hudson's Bay Hits Back

At the annual general meeting of the Hudson's Bay Company, the new Governor, Mr W. J. Keswick, made a spirited reply to the numerous criticisms that have been levelled at the company in the last two years. The critics have ranged over a wide field; they have attacked the British domicile of the company, the composition of the board and of the Canadian committee, the alleged lack of "aggressive management," the rate of expansion of the company's wholesale and retail activities, the pace of the development of the company's oil interests, and the hiving off of these oil interests from the company. It would be interesting to know whether most of these criticisms have come from British shareholders, who hold 67 per cent of the company's issued capital, or from Canadian shareholders, who own 16 per cent, or from the "non-British" (presumably almost entirely American) shareholders.

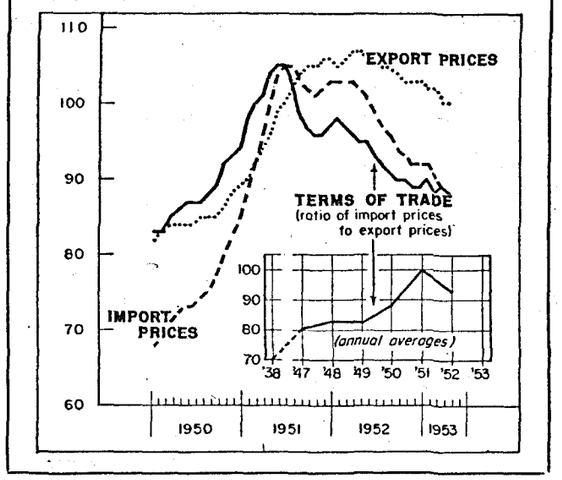
In general, Mr Keswick answered these attacks by pointing to the figures in the latest accounts, which show 1952 to have been one of the most successful years in the company's long trading history. But he also devoted specific attention to refuting the charge that the pace of developing the company's oil interests—"that speculative and glittering carrot"—has been too slow. He deprecated any suggestion that the company "should be hived off in bits" and then suggested that his remarks would appeal much more to the long-term investor than "to the speculator seeking quick capital gains or to those who see profit in tearing the company limb from limb." For some time now the market has scented the smoke of dissension among Hudson's Bay's shareholders. Mr Keswick's remarks suggest that there is a good deal of fire behind this smoke, probably almost wholly from across the Atlantic and mainly from below the 49th parallel.

Building Societies Confer

Among the spate of pre-Whitsun conferences that sniffed at the air of increasing freedom—and then pronounced it invigorating, but not strong enough—was the annual meeting of the Building Societies Association at Scarborough. The general summary of building society statistics for 1952, which was published in time for the conference, is only marginally different from the estimates made previously by the *Building Societies' Gazette*—and discussed in *The Economist* of March 14th. For example, the total increase in building society assets in 1952 (by £113 million to £1,470 million) is £9 million less than the previous estimate; while, as the main counterpart, the societies' shares are now estimated to have risen by £120 million (not £130 million) and their deposits to have fallen by £10 million last year. Similarly, new mortgage advances in 1952, at £267½ million, are now estimated to have been almost exactly the same as in 1951, instead of some £3 million less. But the general picture—of an increased flow of savings through the movement (partly as a consequence of transfers from savings banks accounts) and of a tight hold on lending policies—remains unchanged.

The keynote to the conference, however, was struck in the address of the chairman, Mr Hubert Newton, when he welcomed what he called "the *rapprochement* between our association and the Government"—with particular praise for the abandonment of the development charge—but declared that the building societies "have some excuse for impatience" about the Government's policy of concen-

UK TERMS OF TRADE
1951 = 100



trating subsidies only on local authority houses that are built to let. "The 1952 subsidy on flats with lifts, where land is £10,000 to £12,000 an acre," he pointed out, "is worth over £2,000 per flat. On a normal house, the standard subsidy of £35 12s. based on 60 years at 4½ per cent, assuming an average cost of £1,525 a house, is worth £769." Mr Newton believed that these figures, together with the growth of incomes of potential small house-owners (in the income group below £2,000 a year) "underline the urgency of transferring more savings into housing with a corresponding reduction of subsidies. Many of our potential mortgagors want only some further assistance in the initial stage of ownership, such as a guarantee of at least part of the down-payment needed before they can secure a mortgage loan."

There are, of course, dangers in a policy of disguised or open subsidies on houses for sale—this can lead merely to the erection of comfortable weekend cottages for the well-to-do; and in any case, the main need at the moment is to find out what the real demand for housing would be if so many people were not enjoying squatters' rights on privately and publicly owned houses at grossly uneconomic rents. But, if and when the Goverment plucks up its courage to tackle the problem of rent restriction, then the question of whether more encouragement should not be given to the building of new houses for sale (provided there are safeguards to ensure that each new house built releases accommodation for rent elsewhere) will deserve more attention than frightened politicians are at present giving to it.

New Broom for Brush

If that over-expanded maid of all work of the British engineering industry, the Brush Aboe Group—which has how been rechristened more simply the Brush Group—is to pull itself up by its own bootstraps, it will need to keep its weight down. That, at any rate, seems to be the policy of the new chairman, Mr Miles Beevor, who acceded to his chair on the death of Mr A. P. Good last autumn. Mr Beevor has announced that Brush will not add any further interests to its already widespread activities (though, well in the spirit of the Coronation, it has recently provided an engine to drive Mr Rowland Emmett's Hogmuddle All-Purpose Rotatory Niggler and Fidgeter).

In the future the group will also place greater emphasis upon the production of electrical equipment and less upon the manufacture of diesel engines. This certainly seems to be the right policy for Brush shareholders, who received no final ordinary dividend last year. For some time now the group has had virtually no liquid resources and has had to rely on loans from the banks. It made considerable losses when it ventured into contracts for tubewells in India in 1950, in the hope that these would lead to orders for diesel engines and equipment; and last year, while the electrical engineering business of the group remained reasonably satisfactory, the group lost ground in the sale of diesel engines, particularly in its export markets.

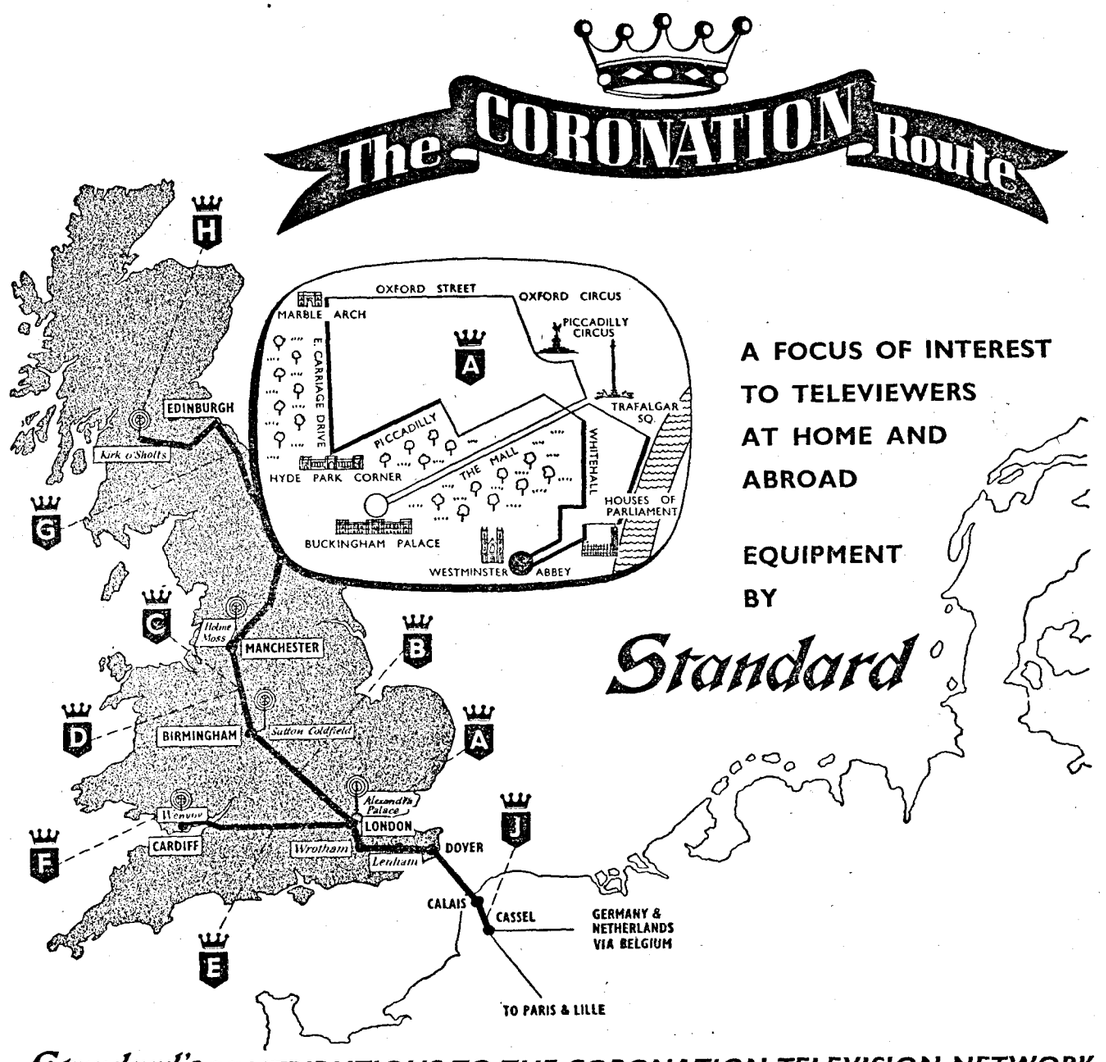
As a logical feature of its new policy the Brush Group has decided to turn its close association with the Associated British Engineering group into a looser *entente cordiale*. The sweep of this new broom, which has probably already caused some dust to fly in the group's managerial set-up, may have to be cruelly vigorous if Mr Beevor's aim of building up and consolidating the business is to be secured. Only when this is achieved can the group hope to appeal to the public for new money, which it will "certainly require in the years to come."

Looking for Natural Gas

The Gas Council's decision to prospect for natural gas during the next five years arises from a wistful desire to find a way out of the impasse created by the rising costs of making gas from coal. During each of the past two years, the Council's coal bill has risen by £9 million. The selling price of gas is now 50 per cent higher than it was in 1939 and according to the council's chairman, Sir Harold Smith, "the total increase is tending to make gas non-competitive with other fuels not derived from coal, particularly for industrial purposes." The rewards of success are distinctly alluring; they were painted in glowing colours by an Anglo-American productivity report on American gas supplies a few days before the announcement. A team from this country described how natural gas accounts for 93 per cent of thermal gas sales in the United States and has "revolutionised the economics of gas supply in America." The growing use of natural gas during the period has resulted in a rise of only 5 per cent in American gas prices since 1939, compared with the British 50 per cent; and since 1934 American sales have quadrupled while British have only doubled.

The cost of natural gas, which is 91 per cent methane, is limited to the expense of prospecting and of piping off the gas once it has been discovered. Distributing it in a small country such as this would not call for such marathon engineering as the American gas pipe-lines stretched across vast areas; and the Gas Council would therefore be unwise to neglect the possibility of discovering natural gas deposits here. The process of prospecting and drilling for gas is very similar to that for oil, so Anglo-Iranian, whose subsidiary, D'Arcy Exploration, has been operating small oil wells in this country since 1939, is expected to give the Council a considerable amount of technical assistance. No serious search has yet been made for natural gas, and the most that there is to work on is the "sufficiently encouraging" report prepared by Anglo-Iranian's chief geologist on which the Gas Council has based its decision to go ahead. Some gas may certainly be found, but it remains to be proved that it is available in economic quantities. The life of some of the reserves found in this country has been too limited to make exploitation worth while.

The difference in the price of gas in Britain and in America may not, however, be wholly due to the advantage conferred by the availability of natural gas in one country and the dependence on manufactured gas—74 per cent of it produced from coal—in the other. The American distributive systems may be more efficient. Some coal gas is produced in the United States, but all of it in coke ovens, whereas with a few exceptions, British town gas supplies are obtained from vertical retorts of a type that has been abandoned in the United States. These technical differences are too big to be overlooked; and they must have some bearing on the competitive efficiency of the two industries.



A FOCUS OF INTEREST TO TELEVIEWERS AT HOME AND ABROAD

EQUIPMENT BY

Standard

Standard's CONTRIBUTIONS TO THE CORONATION TELEVISION NETWORK

A — ***Standard's*** *direct contribution to the Coronation includes a special sound reinforcement system in Westminster Abbey and sound reproduction and dissemination with public address facilities along a major part of the route controlled by the Min. of Works.*

B — *Special large tube coaxial television cable between London and Birmingham by* ***Standard.***

C — ***Standard*** *coaxial television cable between Birmingham and Manchester.*

D — ***Standard*** *vestigial sideband television equipment on the Birmingham-Manchester section of the network.*

E — *The latest London to Wenvoe link includes* ***Standard*** *coaxial cables.*

F — *At Wenvoe, a television sound transmitter by* ***Standard.***

G — ***Standard*** *microwave television radio link relaying all programmes between Manchester and Kirk o'Shotts.*

H — *At Kirk o'Shotts, a television sound transmitter also by* ***Standard.***

J — *Under contract to the B.B.C., and as a direct contribution to the Coronation, S.T.C. will be solely responsible for relaying the Coronation Television programmes from London to the Continent. Equipment which has been installed and will be operated by S.T.C. comprises five* ***Standard*** *portable S.H.F. radio links as supplied to the B.B.C. for numerous outside broadcasts since 1950. Monitoring equipment by* ***Kolster-Brandes Ltd.,*** *an S.T.C. associate.*

Standard Telephones and Cables Limited

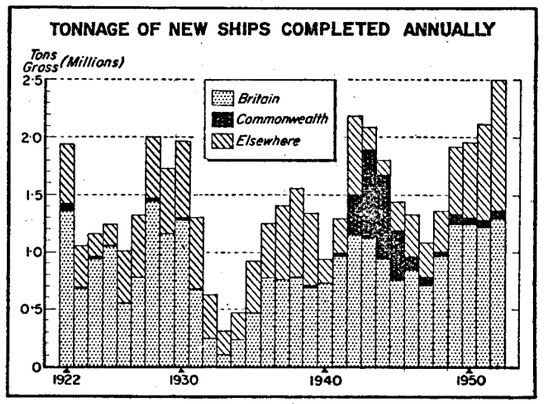
Registered Office: Connaught House, Aldwych, London, W.C.2

TRANSMISSION DIVISION, NORTH WOOLWICH, LONDON, E.16

Less Active Shipyards

THE shipbuilding returns compiled by Lloyd's Register of Shipping for the first quarter of the year reveal a decline in the tonnage of merchant ships under construction at home and overseas. The total work in hand declined by 113,828 tons gross, of which 13,499 tons was attributable to United Kingdom yards. The reduced rate of construction in Britain (imposed mainly by the shortage of steel plates) is shown by the decline in ships fitting out afloat from 586,287 to 498,535 tons and the increase in vessels on the stocks from 1,560,115 to 1,634,368 tons. Compared with the previous quarter, ships completed declined from 324,438 to 310,821 tons, ships launched from 373,177 to 227,691 tons and work begun from 389,800 to 305,343 tons.

For the second quarter in succession there has been a decline in the number and tonnage of ships for which plans have been approved or materials ordered, but which are not yet started. These numbered 288 ships of 2,454,894 tons



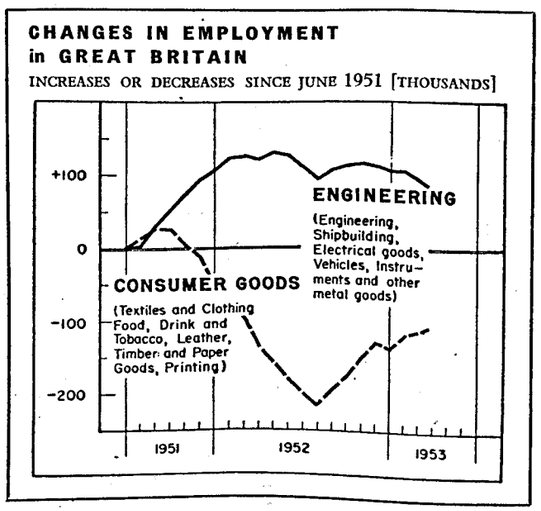
on March 31, compared with 306 ships of 2,606,478 tons at the beginning of the year. Six months ago the figures were 327 ships of 2,684,263 tons. This is no doubt a reflection of the decreasing order book; there have been few new entries in recent months. Tankers form a yet higher proportion of the total than in previous quarters, accounting for 57.5 per cent of the total in hand and 62.6 per cent of the total preparing. The proportion of tonnage for export, however, has continued to decline. Work in hand for foreign registry now totalling only 27.1 per cent of the total, compared with the peak of 40.4 per cent reached in September, 1950.

American Advice for BEA

THE full views of 17 men from American power utility companies upon a state-owned electricity monopoly that covers a complete country might well be colourful. But the American team that last year, under the auspices of the Anglo-American Productivity Council, made a "field study" of the British Electricity Authority's power system tactfully confines itself in the report it recently published to technical, managerial, and commercial questions. The only major recommendation it makes that affects the administrative structure of nationalised electricity is its feeling that the separate purchasing organisations of BEA's generation divisions and of the Area Boards may involve some unnecessary duplication.

Some of the team's recommendations need translation, but are sensible and to the point. The suggestion that the industry might "liberalise the concept of equipment loadings," for example, concerns the possibility of getting more out of existing equipment. In electricity supply, as in other industries, American engineers customarily run their plant "in excess of capacity"; that is to say, in excess of the rating that the manufacturer guarantees on the nameplate. This is seldom done in Britain. It was suggested to the team that, in turbo-generators at least, few British turbines have a greater capacity than the nameplate rating; this suggests more accurate but less conservative rating by British manufacturers than American. The suggestion that these equipment ratings should at least be rechecked with the manufacturers, to enable greater loading of generating plant where possible, is worth consideration. Other suggestions with the same emphasis are that the law requiring thorough inspection of power station boilers (which takes a week and much labour) at fixed intervals might be amended to allow the stations to fit in yearly inspections as convenient (for example, over weekends); and that the period between turbine overhauls might, with care, be increased from three years, as in Britain, to four and even six years. Such measures would reduce the amount of plant idle in the generating system at any one time; in the transmission system the American team feels that the installation of power-factor correction and control equipment might enable the line capacity of the grid to be "increased rather quickly and at reasonable cost" (perhaps even enabling delays in the completion of the new 275-kV grid system to be considered).

This emphasis upon getting the best out of existing capacity extends to the team's views upon BEA's use of personnel. It considers that the existing wage structure



does not provide a sufficient differential in wage rates to make skill worth acquiring, though the structure has recently been improved in this respect; and that some of the jobs for which BEA considers technical qualification of university standard necessary might well be filled by men with practical experience from grades below, saving the more highly qualified man for more exacting responsibilities.

Petrol Sales Level Off

LAST year was the first one since the war in which consumption of motor spirit failed to show an increase. Deliveries to commercial consumers went down by about 43,000 tons, rather more than deliveries to dealers and garages went up; and the total consumption, 5,440,552 tons, was about 14,000 tons less than in 1951. The slight increase in the deliveries of motor spirit to garages did not match the increase in cars on the road. Both the garage sales and the deliveries to commercial consumers, therefore,

UNITED KINGDOM PRODUCTION OF PETROLEUM PRODUCTS
(in tons)

	1951	1952
Motor and Aviation Spirit	2,923,181	4,935,418
Industrial Spirits	3,239	2,316
White Spirit	51,641	53,046
Burning Oil	226,594	568,764
Vaporising Oil	18,507	39,277
Gas/Diesel Oil	3,055,076	3,865,481
Fuel Oil	7,649,982	10,097,836
Refinery Fuel Consumption (ex own production)	852,863	1,240,586
Bitumen	746,227	715,080
Paraffin Wax, Scale and Slack Wax	15,117	14,633
Lubricating Oil	412,154	369,720
Propane and Butane	19,838	24,954
Miscellaneous Products and Loss	479,233	563,256
TOTAL	16,453,652	22,490,363

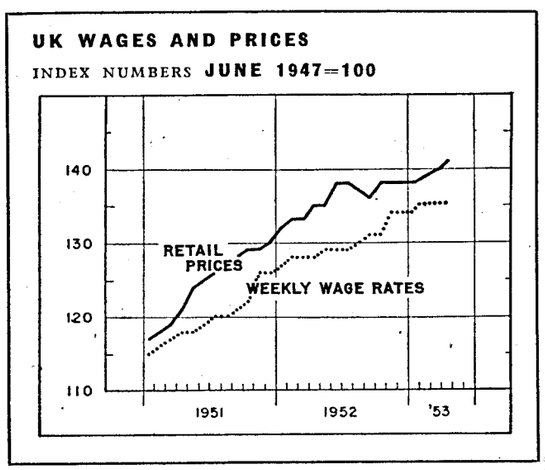
are indicating the effect of the increase in fuel taxation; in the commercial field, this has increased the switch to diesel power units, and consumption of "derv fuel" showed an increase of about 5 per cent.

On the production side, the petroleum industry almost doubled its output of motor and aviation spirit, and its total refinery production rose in tonnage by about 38 per cent. One notable change, among the non-petroleum products distributed by the industry, was in the home sales of refined benzole, which rose from about 79,000 tons in 1951 to about 175,000 tons last year. This reflected a progressive reduction in exports of benzole to the United States for such uses as explosives and synthetic rubber, after the period of very high American demand early in the Korean war.

INDEX NUMBERS showing changes in the replacement cost of various classes of plant and machinery are available on subscription to companies wishing to adjust their depreciation provisions in accordance with fluctuating price levels. Details of this and other services of interest to industry can be obtained from The Economist Intelligence Unit, 22 Ryder Street, London, S.W.1.

Repatriating AEI Shares

REVERSING the now customary order of trans-Atlantic transactions, the London bankers, Morgan Grenfell and Company have arranged to repatriate to this country the 24.8 per cent equity shareholding in Associated Electrical Industries owned by the General Electric Company of America. This deal, which springs from anti-trust legislation in the United States, has involved over $22 million, since Morgan Grenfell has bought the shares at 72s. 2½d. each; it is thus the biggest deal of this kind since the war. The 2,205,000 £1 ordinary shares now repatriated will be offered as a three for one rights issue to the present British holders of the AEI equity—at 75s. each free of stamp duty (which, after allowing for underwriting expenses and stamp duty payments, will give Morgan Grenfell's a minute profit of not more than 1½d. a share); subscribers will therefore be buying these shares on a yield basis of just under £5 7s. per cent. At the current (and surprisingly low) price of 74s. 6d. the existing AEI shares would cost a prospective shareholder about 76s. 9d. after he has paid stamp duty and commission fees; the price of the new shares therefore offers shareholders a turn that may be sufficient to ensure full subscription lists. In any case, the institutions that are underwriting the issue (for a commission of 1s. a share) may be willing to add this expanding equity to their portfolios in a somewhat roundabout way—at a true cost to them of 74s. a share.



A New Gilt-Edged Index

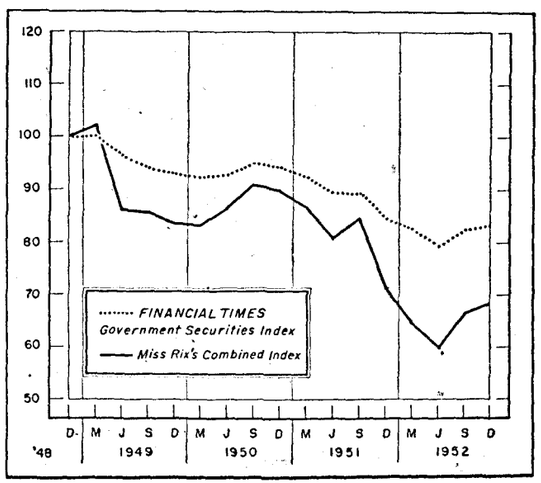
THERE is no satisfactory general index of price movements in the gilt-edged market. Indeed, the problem of finding one may always defy solution. Miss Margaret Rix, in an address to the Royal Statistical Society that will be published in the Society's Journal this autumn, has, however, braved the impossible and has suggested an ingenious—although not entirely satisfactory—solution to the problem. She argues that institutional investors base their decisions on comparative yields and not directly on market prices, and, she has, therefore, calculated a chain series of index numbers based on the reciprocal of gross redemption yields. The results of these labours are summarised in the two charts at the bottom of this page. In the first chart her "final composite index" is plotted against the *Financial Times* index of government securities, which is based on net market prices; in the second chart the four indices which go to make up her final index, and which are grouped according to the redemption dates of the stocks, are plotted against each other.

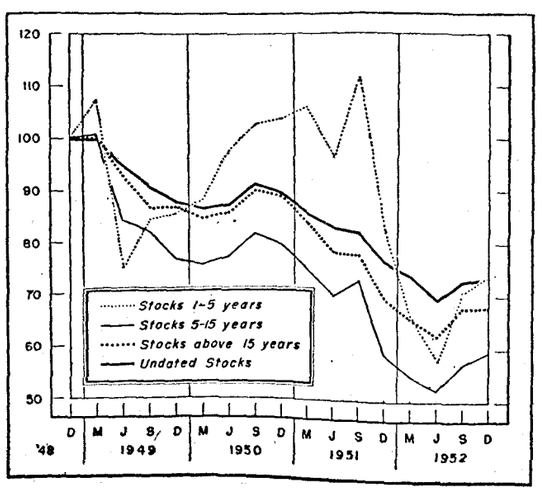
It is immediately apparent from these charts that the new indices give a remarkably clear visual impression of *the fluctuations in the gilt-edged market. It is true that* Miss Rix's final composite index—like other composite indices—will not necessarily be of great use to institutional investors, who usually base their investment policies on the recognition that the gilt-edged market is not a composite and homogeneous whole. For this reason Miss Rix's four constituent indices—which show broadly when it has been most advantageous to switch out of the "longs" into the "shorts," or vice versa—may attract more attention; but even here it can be argued that the span of 5 to 15 years in one of these indices is too wide. There is, however, a much more serious criticism of the indices than this. Invariably in chain indices of this kind the constituents in each group have to be altered, and a more or less arbitrary decision has to be made on whether to take the earliest or latest date of redemption. Miss Rix has relied largely on the simple rule of thumb that redemption at the earliest date can be assumed when the stock stands above par and at the latest date when it stands below par; but she has implicitly recognised that this rule is far too unsophisticated by departing from it when circumstances clearly show it to be absurd. The conclusion is inescapable that under this method of compilation the choice between redemption dates, and even more the choice of whether to include a stock in one group or another at a particular point of time, can vary from person to person, so that only the compiler of the index numbers can really understand and explain the movements that have taken place. In Miss Rix's indices, for instance, the changing constituents in each group seem to have exaggerated the fall in medium-dated stocks since December, 1948, compared with the fall in the "shorts."

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Is it, then, possible to find an alternative method of compiling gilt-edged indices? One solution might be to seek representative yields (according to the length of the life of the stocks) over the whole range of gilt-edged securities, instead of relying on a rather arbitrary selection from the list. This can perhaps best be done by graphical methods. At any one moment of time a continuous graph can be drawn showing the redemption yields on the whole range of government stocks; indeed, gilt-edged jobbers already compile these graphs to see whether any yields are out of line. A simple type of curve can usually be drawn on these graphs and then yields taken from these curves can form the basis of a series of index numbers. There are weighty problems of statistical technique here, but it certainly seems that some such method might be used to abstract from Miss Rix's enterprising indices the distortions that result from "freak" movements in individual securities—usually securities that are on the margin of being entered in her index at one particular redemption date or in one particular group of "shorts," "mediums" or "longs."

GILT-EDGED INDICES





Company Notes

MARKS AND SPENCER. The full accounts of Marks and Spencer strengthen the impression that this closely integrated chain of stores came through the year to March 31, 1953, with its colours flying. Even its subsidiary companies, which supply the bulk of the textile requirements of its stores, made a net profit of nearly £79,000 last year; in 1951-52, when the company had to provide for losses on stocks, these subsidiaries made a net loss of about £162,000. For the parent company, as was reported in these columns on May 16th, trading profits rose from £6,696,194 to £8,401,193 last year and the ordinary dividend was effectively increased from 40 to 50 per cent.

Other signs of last year's success can be traced in the company's full accounts. In the first place, the parent company's advances to subsidiaries have been reduced from £4,249,316 to £1,990,958. Secondly, the stock in trade of the parent company has also been reduced slightly, from £5,832,458 to £5,738,234. These reductions, coupled, of course, with last year's appropriations to reserves, have strengthened the company's liquid resources in no uncertain manner. A combined total of tax reserve certificates and cash balances of £6,247,873 at the end of this March compares with a meagre cash balance of £547,758 at the end of March, 1952.

Earnings	Years to Mar. 31, 1952	1953
	£	£
Trading profit	6,696,194	8,401,193
Total income	6,887,042	8,531,757
Depreciation	713,642	764,590
Repairs	804,545	717,351
Taxation	2,790,000	4,275,000
Net profit	*2,205,690*	*2,466,140*
Ordinary dividends	949,933	1,226,997
Ordinary dividends (per cent)	80	50
Stock contingency reserve	500,000	...
General reserve	883,198	1,500,000
Added to carry forward	*Dr157,066*	*Dr454,820*
Balance sheet		
Fixed assets, *less* depreciation	10,945,578	11,593,470
Net current assets	3,827,956	7,899,874
Stocks	5,955,673	5,831,312
Cash	547,758	3,247,873
Reserves	11,054,413	9,935,619
Ordinary capital	2,261,746	4,523,492

5s. 'A' ordinary share at 52s. 3d. xd. yields £4 15s. per cent.

Clearly, then, the growth possibilities in Marks and Spencer's "A" ordinary stock *units* have not been exhausted. But growth possibilities are clearly needed in a stock that, at the current price of 52s. 3d. xd, yields only 4¾ per cent. Investors in Marks and Spencer (some of whom had been hoping for a dividend of 55 or 60 per cent for last year) would do well to remember that even with such a sturdy incubator, it is wise not to count chickens before they hatch.

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J. AND P. COATS. Inventory losses have become commonplace in the reports of British companies this year, but very few company accounts—even those from other textile manufacturers—have been so devastated by these losses as those just published by J. and P. Coats for the calendar year 1952. The company has had to write no less than £5,652,289 off its stocks, and this has been the main factor in reducing its gross profits from £12,033,180 to £3,919,038. The other £2½ million odd of this £8 million drop in profits must have been mainly due to a sharp fall in sales.

It is, however, the tax collector and not the equity shareholder who has suffered in this debacle. The provision for taxation has been cut from £5,170,617 to £842,769; after allowing for this shock absorber, the group's net profits have fallen from £6,529,820 to £2,624,868. As £2,136,868 (compared with £1,871,762 in 1951) has been retained by subsidiary companies, the parent company's net profits have borne more than the whole of this decline; they have slumped from £4,658,058 to £488,136. Even so, the directors have maintained the ordinary dividend—as in many years past—at 12½ per cent. If the transfers to subsidiary companies' reserves are regarded as non-distributable earnings, then the repetition of this dividend has been made possible only by the writing back of £500,000 from general reserves (compared with an appropriation of £3,500,000 to these reserves in 1951) and the withdrawal of £180,739 from the carry forward. But, paradoxically enough, this decision adds weight to the criticisms that have been levelled in the past at the company's ultra conservative dividend policy; if the directors can afford to pay this dividend in a year of recession what could they have afforded to pay in the years of boom? The recent recovery in the textile trades explains why the £1 ordinary stock units stand in the face of this calamity at 44s. 6d., offering a yield of only 5⅝ per cent.

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HARLAND AND WOLFF. Future prospects for Harland and Wolff—the company with the largest shipbuilding output in this country—are much brighter than a first reading of its accounts for the calendar year 1952 might suggest. At first sight last year's trading profit of £1,189,815 (compared with £1,733,907 in 1951) looks like a small return for a year that witnessed the launching of 17 vessels from the company's shipyards. But, apart from a shortage of steel, last year's decline in profits appears to be due to one factor alone—and one, fortunately, that has now disappeared. In 1950, the company *accepted several large contracts* at fixed prices (for the very good reason that at that time orders for new ships were hard to come by); while completing these contracts the company's profits have been squeezed between these fixed prices and continually rising costs. Most of these contracts were completed last year and a provision for losses on the remainder has already been made.

In view of the large number of orders, which are not at fixed prices, now on the company's books, shareholders can confidently look towards a recovery in earnings this year. They may also look forward—

Consolidated earnings	Years to Dec. 31, 1951	1952
	£	£
Trading profit	1,733,907	1,189,815
Total income	1,753,696	1,277,481
Depreciation	412,676	413,109
Taxation	613,767	380,201
Net profit	*583,407*	*363,355*
Ordinary dividends	161,556	169,249
Ordinary dividends (per cent)	7	7
Replacement reserves	200,000	100,000
Added to group carry forward	82,373	46,098
Consolidated balance sheet		
Fixed assets, *less* depreciation	7,172,894	7,475,987
Net current assets	5,397,404	5,191,040
Stocks	7,126,529	8,288,790
Cash	878,686	1,151,975
Reserves	4,685,966	4,832,196
Ordinary capital	4,396,082	4,396,082

£1 ordinary stock at 17s. 6d. yields £8 per cent.

though with somewhat less confidence—to a break with the company's traditionally conservative dividend policy; for last year a dividend of 7 per cent is again to be paid. The main barrier in the way of a dividend increase a year hence may be the strain that increased working capital commitments will put upon the company's liquid resources—together with fears of vulnerability to any future recession.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 20, 1953	Price, May 26, 1953	Net Yield, May 26, 1953	Gross Yield, May 26, 1953
			£ s. d.	£ s. d.
War Bonds 2½% '52-54	99⅛	99 23/32	1 2 9	2 12 5t
Exchequer 2½% 1955	99 29/32	99 31/32	1 9 7	2 13 4
Exchequer 3% 1960	100 7/32	100¼	1 13 5	3 1 5
Ser. Funding 1½% '53	99⅝	99 15/32	1 12 8	2 9 7
Ser. Funding 1½% '54	98 25/32	98 27/32	1 16 7	2 12 10
Ser. Funding 3% '55	100⅜	100 21/32	1 7 1	2 14 4
War Bonds 2½% '54-56	99 13/32	99 15/32	1 8 6	2 13 1i
Funding 2½% '52-57	100 1/32	100 1/32	1 10 3	2 14 8i
Nat. Def. 3% '54-58	101⅛	101⅛	1 9 4	2 18 4i
War Loan 3% '55-59	100⅝	100⅞	1 11 2	2 18 7i
Savings 3% '55-65	96	95 31/32	2 1 5	3 9 11i
Funding 2½% '56-61	96 13/32	96⅜	1 16 10	3 0 2i
Funding 3% '59-69	90⅝	90⅜	2 7 11	3 16 11i
Funding 3% '66-68	92⅝	92 11/32	2 5 3	3 14 4i
Funding 4% '60-90	99⅛	99 3/32	2 7 0 / 2 4 9	4 3 8e / 4 1 2i
Savings 3% '60-70	89 3/32	89 1/32	2 8 11	3 18 5i
Savings 2½% '64-67	88 3/32	88 1/32	2 7 8	3 12 0i
Victory 4% '20-76	101 3/32	101 1/32	2 2 4	3 18 11s
Savings 3% '65-75	86⅞	86⅞	2 9 1	3 19 2i
Consols 4% (aft. 1957)	91	91 1/32	2 8 7	4 8 10f
Convs. 3½% (aft. 1961)	81⅝	81 15/32	2 7 2	4 6 0f
Treas. 2½% (aft. 1975)	60⅜	60 11/32	2 5 6	4 2 11f
Treas. 3% (aft. 1966)	70⅛	71	2 6 8	4 5 0f
Treas. 3½% '77-80	90⅝*	90 3/32*	2 7 11	4 1 4i
Redemption 3% '86-96	80⅜	81	2 7 3	3 18 10i
War Loan 3½% aft. 1952	80 13/32*	81⅛*	2 7 4	4 6 1f
Consols 2½%	61¼	61⅜	2 4 11	4 1 11f
Br. Elec. 3% '68-73	87 7/32	87⅜	2 9 6	3 19 2i
Br. Elec. 3% '74-77	86 3/32	86 1/32	2 8 9	3 18 9i
Br. Elec. 4½% '74-79	100⅜	100⅜	2 6 2 / 2 6 3	4 4 9e / 4 4 9i
Br. Elec. 4½% 'A' '74-79	100 1/32	100 3/32	2 6 6 / 2 6 7	4 4 8e / 4 4 9i
Br. Elec. 3½% '76-79	91 3/32	91 1/32	2 7 2	4 0 7i
Br. Trans. 3% '78-88	81¼	80 31/32*	2 9 6	4 0 6i
Br. Trans. 3% '68-73	87 1/32	87⅛	2 9 6 / 2 7 7	3 19 2i / 4 4 1e
Br. Trans. 4% '72-77	97 1/32*	97 1/32*	2 7 0	4 3 6i
Br. Gas 3% '90-95	80⅛	80 3/32	2 7 10	3 19 4i
Br. Gas 3½% '69-71	94 13/32	95 1/32	2 5 10	3 19 0i
Br. I. & S. 3½% '79-81	91 3/32	91 1/32	2 7 5	4 1 5i

(*e*) To earliest date. (*f*) Flat yield. (*i*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, May 20, 1953	Price, May 26, 1953	Yield, May 26, 1953
%	%					£ s. d.
20	40	*b*	Anglo-Am. 10/-	5⅞	6 1/32	4 19 0
5	30	*b*	Anglo-Iran. £1	5 13/32	5 15/32	5 17 11
7½	12½	*b*	Assoc. Elec. £1	75/-	75/-	5 6 8
7½	22½	*b*	Assoc. P. Cem. £1	108/9	109/4½	5 9 9
10	33	*b*	Bass £1	118/9	118/9	7 4 11
10	20	*b*	Boots 5/-	19/6*	19/6	5 2 7
3	7	*b*	Brad. Dyers £1	25/6	26/6	7 10 11
4½	6½	*b*	Br. Celanese 10/-	24/-	24/6	4 9 10
17½	4	*a*	Br. Motor Cp. 5/-	5/9	6/3	8 6 5g
6	9	*b*	Br. Oxygen £1	53/-	54/3	5 10 7
3	3	*b*	Can. Pac. $25	$49½	$49½	5 8 6
5	7½	*b*	Coats £1	42/-	44/6	5 12 4
6½	5	*a*	Courtaulds £1	37/9	38/6	5 16 11
16	2½	*a*	Cunard £1	35/-	35/6	9 0 3
15	7½	*a*	Distillers 4/-	16/-	16/-	5 12 6
17½	17½	*c*	Dunlop £1	43/9*	45/-*	7 15 7
15	15	*c*	Ford £1	25/10½	26/9	5 12 2r
15	3½	*a*	Gen. Elect. £1	40/-	40/7½	5 10 9p
5	10	*b*	Guest Keen £1	46/6*	47/9	6 5 8
7	10	*b*	Guinness 10/-	29/-	28/6	5 19 4
4½	6½	*b*	Hawker Sid. £1	37/6	38/6	5 3 11
5	8	*b*	Imp. Chem. £1	42/6	43/3	6 0 3
13½	11 3/32	*b*	Imp. Tobacco £1	52/-	52/6	7 12 5o
$2·6	$1	*a*	Int. Nick. n.p.	$71⅛	$71⅛	6 9 8
17½	17½	*c*	J'burg Con. £1	58/9	57/6	6 1 9
5	10	*b*	Lancs. Cotton £1	41/-	41/3	7 5 6
7½	10	*b*	Lon. Brick £1	61/10½	62/6	5 12 0
15	35	*b*	Marks & Sp. A 5/-	50/-*	52/3	4 15 9
6½	11½	*b*	Monsanto 5/-	20/6	20/6	4 9 5
6	14	*b*	P. & O. Def. £1	54/6	54/6	7 6 9
17½	7½	*a*	P. Johnson 10/-	29/6	29/-	8 12 5
†100	†105	*c*	Prudentl. 'A' £1	36½	36⅜	5 5 0
175	50	*a*	Rhokana £1	17⅛	17⅜	12 19 2
5	10	*b*	Rolls Royce £1	60/-	61/10½	4 17 0
†5	†10	*b*	"Shell" Reg. £1	83/11½*	85/-	6 8 4
8½	7½	*a*	Tube Invest. £1	54/9*	55/3*	5 8 7h
20	2½	*b*	Tur. Newall £1	48/-	49/-	5 2 0m
5	8½	*b*	Unilever £1	47/3*	47/9	5 13 1
12½	k7½	*c*	Union Castle £1	21/6	21/6	6 19 6
5	5	*b*	Union Disc. £1	43/-	42/-	4 15 3
†7½	†6⅔	*b*	Utd. Molass. 10/-	27/3*	28/9	6 19 6q
7½	12½	*b*	U. Sua Betong £1	34/4½*	35/-*	11 8 7
2½	12½	*b*	Vickers £1	46/-	47/6	6 6 4
15	40	*b*	Woolworth 5/-	52/3	53/3	5 3 3

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*g*) Div. 17½% for 4 months. Yield basis 10£%. (*h*) Yield basis 15%. (*k*) On doubled capital. (*m*) Yield basis 12½%. (*o*) Yield basis 20%. (*p*) Yield basis 11½%. (*q*) Yield basis 20·06% gross. (*r*) Yield basis 7½%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 23, 1953, total ordinary revenue was £55,767,000, against ordinary expenditure of £74,756,000 and issues to sinking funds £310,000. Thus, including sinking fund allocations of £3,732,000 the deficit accrued since April 1, 1953, was £45,522,000 compared with a deficit of £79,521,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54 £'000	April 1, 1952 to May 24, 1952	April 1, 1953 to May 23, 1953	Week ended May 24, 1952	Week ended May 23, 1953
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1782,250	175,200	170,016	17,935	12,571
Sur-tax	127,000	15,300	14,800	1,300	1,400
Death Duties	160,000	24,500	29,500	4,500	3,400
Stamps	52,000	7,800	8,600	700	1,300
Profits Tax & EPT	214,000	40,800	25,400	5,200	3,000
Excess Profits Levy	99,500				
Special Contribution and other Inland Revenue	1,000	...	5,900	...	1,600
		370	220	30	50
Total Inland Rev.	2435,750	263,970	254,436	29,665	23,321
Customs	1044,300	155,941	157,519	20,080	21,453
Excise	680,480	119,304	117,025	9,320	8,890
Total Customs and Excise	1724,780	275,245	274,544	29,400	30,343
Motor Duties	69,000	5,709	6,524	...	...
PO (Net receipts)	2,685	4,700	5,200	1,800	2,100
Broadcast Licences	16,000	1,000	1,000	...	...
Sundry Loans	25,000	2,084	1,942	...	...
Miscell.	95,000	14,371	12,286	3,555	3
Total Ord. Revenue	4368,215	567,079	555,932	64,420	55,767
SELF-BALANCING					
Post Office	224,615	27,600	28,700	2,700	2,900
Income Tax on EPT Refunds	3,300	1,009	1,127	179	102
Total	4596,130	595,688	585,759	67,299	58,769
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	93,265	101,826	3,763	4,701
Payments to N. Ireland	48,000	5,842	4,408	1,760	...
Other Cons. Funds	10,000	738	667	111	5
Total	673,000	99,843	106,901	5,634	4,706
Supply Services	3586,286	542,866	490,821	77,880	70,050
Total Ord. Expend.	4259,286	642,709	597,722	83,514	74,756
Sinking Funds	...	3,891	3,732	350	310
Total (excl. Self-Balancing Expd.)	4259,286	646,600	601,454	83,864	75,066
SELF-BALANCING					
Post Office	224,615	27,600	28,700	2,700	2,900
Income Tax on EPT Refunds	3,300	1,009	1,127	179	102
Total	4487,201	675,209	631,281	86,743	78,068

After decreasing Exchequer balances by £253,746 to £3,223,908, the other operations for the week increased the National Debt by £23,019,970 to £26,152 million.

NET RECEIPTS (£ THOUSAND)

Nil.

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1952	1,000
EPT Refunds	125
Housing (Temporary Accommodation) Acts, 1944 & 1947	30
Housing (Scotland) Act, 1950, s. 94(2)	250
Local Authorities Loans Act, 1945, s. 3(1)	1,200
New Towns Acts, 1946 & 1952	1,000
Finance Acts, 1946 & 1947: Postwar Credits	371
	3,976

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	13,332	2½% Def. Bonds	860
3½% Def. Bonds	1,445	3% Def. Bonds	2,613
Tax Reserve Certs.	2,475	3% Term. Annuities	1,878
Other debt			
Internal	14		
Ways and Means Advances	11,105		
	28,371		5,351

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
May 24	2,690·0	1,477·2	314·6	...	...	4,481·8
1953						
Feb. 21	2,870·0	1,441·5	270·8	1·8	...	4,584·1
,, 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
,, 14	2,820·0	1,540·5	275·1	...	...	4,635·6
,, 21	2,810·0	1,569·5	332·2	...	...	4,711·7
,, 31	4,406·6		303·5	3·8	...	4,713·9
April 11	2,880·0	1,585·3	243·7	...	...	4,709·0
,, 18	2,950·0	1,542·3	298·6	...	...	4,791·0
,, 25	2,990·0	1,514·8	288·2	...	...	4,793·0
May 2	3,010·0	1,478·8	256·6	...	...	4,745·4
,, 9	3,030·0	1,462·3	238·6	3·5	...	4,734·4
,, 16	3,050·0	1,484·2	236·0	...	...	4,770·2
,, 23	3,080·0	1,467·5	247·1	...	...	4,794·6

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Min. Rate %
1952						
May 23	220·0	302·3	220·0	47	7·94	63
1953						
Feb. 20	230·0	321·7	230·0	48	7·90	56
,, 27	230·0	314·4	230·0	48	0·25	66
Mar. 6	240·0	326·9	240·0	48	0·25	65
,, 13	250·0	256·4	250·0	47	11·74	57
,, 20	260·0	351·0	260·0	47	11·78	63
,, 27	250·0	334·6	250·0	48	0·20	67
Apr. 2	230·0	322·8	230·0	48	3·93	60
,, 10	250·0	357·6	250·0	48	4·20	62
,, 17	230·0	360·8	230·0	48	3·51	45
,, 24	210·0	330·3	210·0	47	8·04	58
May 1	210·0	351·1	210·0	47	7·37	34
,, 8	240·0	347·4	240·0	47	7·83	56
,, 15	250·0	345·8	250·0	47	8·01	62
,, 22	250·0	343·3	250·0	47	7·94	62

On May 22nd applications for 91 day bills to be paid from May 26 to May 30, 1953, were accepted dated Tuesday to Saturday as to about 62 per cent at £99 8s. 1d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million were offered on May 29th. For the week ended May 30th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals 7 weeks ended: May 17, 1952	May 16, 1953	Week ended May 16, 1953
SAVINGS CERTIFICATES			
Receipts	16,400	27,700	3,600
Repayments	20,900	18,100	3,500
Net Savings	*Dr 4,500*	9,600	100
DEFENCE BONDS			
Receipts	5,785	11,655	1,705
Repayments	10,145	13,540	1,760
Net Savings	*Dr 4,360*	*Dr 1,885*	35
POST OFFICE AND TRUSTEE SAVINGS BANKS			
Receipts	100,028	106,047	14,201
Repayments	104,411	117,920	18,571
Net Savings	*Dr 4,383*	*Dr 11,873*	*Dr 4,370*
Total Net Savings	*Dr 13,243*	*Dr 4,158*	*Dr 4,235*
Interest on certs. repaid	5,643	5,249	1,015
Interest accrued	17,206	17,305	2,449
Change in total invested	— *1,680*	+ 7,898	— *2,801*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

MAY 27, 1953

	£		£
NOTES ISSUED:—		Govt. Debt	11,015,100
In Circulation	1523,605,236	Other Govt. Securities	1535,763,523
In Banking Department	26,751,587	Other Securities	707,992
		Coin (other than gold)	2,513,385
		Amount of Fid. Issue	1550,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1550,356,823		1550,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	365,109,435
Rest	3,361,060	Other Securities	24,585,706
Public Depts.	57,073,770	*Discounts and*	
*Public Accts.**	*11,339,441*	*Advances*	*6,640,002*
H.M. Treas.		*Securities*	*17,945,704*
Special Acct.	*45,734,329*		
Other Depts.	343,361,221		
Bankers	*273,193,909*	Notes	26,751,587
Other Accts.	*70,167,312*	Coin	1,902,319
	418,349,051		418,349,051

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	May 28	May 6	May 13	May 20
ISSUE DEPT.:—				
Notes in circulation	1,412·2	1,516·5	1,519·7	1,523·6
Notes in banking department	38·2	33·8	30·6	26·8
Government debt and securities*	1,446·8	1,546·7	1,546·8	1,546·8
Other securities	0·7	0·8	0·7	0·7
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT.:—				
Deposits:—				
Public Accounts	10·1	14·4	14·7	11·3
Treas. Special Acct.	0·5	39·5	45·7	45·7
Bankers	270·0	269·0	263·4	273·2
Others	72·6	65·3	67·2	70·2
Total	353·2	388·2	391·0	400·4
Securities:—				
Government	288·1	321·5	348·2	365·1
Discounts, etc.	11·9	13·2	10·0	6·6
Other	31·5	35·7	18·3	17·9
Total	331·5	370·4	376·5	389·6
Banking dept. reserve	39·7	35·7	32·4	28·7
"Proportion"	% 11·2	% 9·1	% 8·2	% 7·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,500 million to £1,550 million on March 25, 1953.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1953	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 21	74·00	85·25	163 4	87 14
,, 22	74·00	85·25	162 7	87 11
,, 23	Markets closed		162 3	87 10
,, 25	Closed	85·25	Unquoted	Unquoted
,, 26	74·00	85·25	161 13	87 8

COMPANY MEETINGS

THE UNION-CASTLE MAIL STEAMSHIP COMPANY

HIGHER OVERALL REVENUE OFFSET BY INCREASED OPERATING COSTS

PROBLEM OF REPLACEMENT AND REBUILDING

SIR GEORGE P. CHRISTOPHER'S SPEECH

The annual general meeting of The Union-Castle Mail Steamship Company, Limited, was held on May 28th in London, Sir George P. Christopher (chairman and managing director) presiding.

In the course of his speech the chairman said:

I imagine that none of those who heard or read my predecessor's speech at last year's annual meeting thought any more than I did that within twelve months he would have passed on and I would have been called on to take his place at the next meeting. However, things have worked out in this way. It is therefore my first duty today in this place so often occupied by the late Sir Vernon Thomson to pay a public tribute to the great and rare qualities brought to bear by him on his highly successful chairmanship during fourteen memorable years. In that time, indeed throughout the whole of his association with the company even prior to his chairmanship, his outstanding qualities of mind, character and experience were given unsparingly in the best interests of the company's affairs, and it is no exaggeration to say that his hard work, coupled with his unique powers, made for a period of unexampled progress.

I am deeply sensible of the heavy responsibilities which have been placed upon me, not only because of the high importance of the position itself, but because of the great example it will be my aim in some measure to follow. I shall unhesitatingly call upon and am confident of receiving the advice and support of my colleagues on the board as well as of an alert and able management.

In this respect it is with particular pleasure that I look upon the elevation to a seat on the board and to assistant managing directorship of Mr John Sage Bevan, whose long and loyal service to the company with the experience gained therefrom will be of invaluable help to us in our work of framing its policy in the days ahead.

Moreover, I am happy to pay here and now a very grateful tribute to the ready co-operation spontaneously displayed from the very outset of my appointment by executives and staffs, ashore and afloat, in head office and in branch offices, in passenger ships and cargo ships alike. I would assure you and them that this is no perfunctory passing reference in a chairman's speech, but a deep recognition of a very moving response, augurring well for that spirit of teamwork and joint endeavour in which we are determined to embark upon this great adventure. I shall rely upon the continued efficiency of these staffs.

PROFIT AND LOSS ACCOUNT

Although the past year has brought to the company an overall increase of £1,801,000 in revenue from both passenger and cargo traffic combined, the increase in operating costs has in the aggregate not only kept pace with but surpassed the revenue increase by a considerable margin. So much so that our total expenses, constantly rising as they have done in recent years, showed an increase of no less than £2,654,000 over those of 1951 and were the heaviest in the history of the company.

It may be of interest to note the following figures of a few of the salient items in our expenditure for the year. Fuel cost us £3,370,000, crew wages and expenses £2,536,000, victualling of crews £489,000, cargo expenses £2,650,000, and port charges £896,000.

This is all reflected in the accounts now before you in the form of a reduction of £842,470 in the operating profits, before providing for depreciation or taxation, in comparison with the figures for 1951. I am referring to the operations of the Union-Castle Company itself. The group which we embrace has had the benefit of very good earnings by our important cargo-carrying subsidiary, the King Line, the dividend from which is included in the figure of £275,543 under the heading of income from investments.

We have felt it necessary to strike a note of warning in our report in this connection, seeing that tramp freights, which are the basis of the King Line earnings, are now much less favourable than they were in the period under review. This being so, we cannot hope to see in the current year a continuance of the high level of profits contributed by the King Line to the present group accounts. The dividend received from this subsidiary was largely responsible for reducing to £601,225 the diminution in the total of the credit items of our profit and loss account compared with the previous year.

Depreciation on the Union-Castle fleet and its other properties, including the equivalent of income tax relief on initial allowances in respect of the year's expenditure on new tonnage, accounted for £1,781,235, and estimated taxation for £415,154. The company's net profit, after payment of interest on debenture stock, amounted to £1,010,889, or £277,037 less than in 1951.

Adding the carry forward, we had a total of £2,910,321 to deal with. Preference share dividends accounted for a net sum of £84,420; we have adopted the prudent course of transferring £740,000 to general reserve, bringing that reserve up to £3,500,000, as compared with the figure of £5,500,000 at which it stood prior to the capitalisation transfer a year ago.

PARENT COMPANY DIVIDEND

The board has given very careful thought to the question of making a somewhat more generous return to the ordinary stockholder of the parent company. We have decided to do this by recommending a dividend of 7½ per cent on the increased capital, as compared with the equivalent of 6¼ per cent on the same capital a year ago, representing an increase of 20 per cent. The outlook for shipping is uncertain. There is no sure indication that running costs have yet in all respects reached their peak. While fuel prices have shown welcome reductions from the abnormal height to which they had soared, costs of virtually everything else are up. Nevertheless we are desirous of making stockholders a payment which could be regarded as a reasonable draft on the profits of the past year, as indeed all dividends should be, whilst by keeping it within bounds there is better hope of our being able to repeat it than would be the case were we to be more liberal in our recommendation.

In this, and in regard to some other measures concerning which I am about to speak, we look upon our duties of trusteeship as involving an unceasing watchfulness over the stockholders' best interests on the long view.

GENERAL

The position facing us possesses some peculiar features. The difficulties encompassing commerce at the present time are such as to preclude any reference back to past records for guidance, the problems of these disjointed days being in many respects without precedent.

Shipbuilding costs have reached fantastic levels outstripping the bounds of contemplation, and this has induced the board to the conclusion that, for the time being, there must be no embarking on a further building programme beyond the two cargo ships presently under construction. It would be extremely unwise for us to commit the company to the enormous outlay that would be represented by the ordering of further mail and intermediate passenger ships at prices on which it would, to say the least, be difficult to meet the necessary depreciation, let alone provide a profit thereafter.

Let me give you an illustration of the immensity of this problem of rebuilding which the boards of all shipping companies must ever have in view, although our tax gatherers for too long ignored it in their efforts to collect as much as they could from industry regardless of the ultimate effect. The total cost—in revenue parlance, the historic cost—of the Union-Castle fleet as it presently exists amounted to approximately £33 million. To replace that fleet with modern vessels of the type of those now in service, at today's building prices, would cost at least £82 million. This is a staggering figure, but it does not complete the picture. With the many advancements of shipbuilding and engineering science since even the newer units were constructed, it would be necessary for a considerable additional sum to be spent in order to embrace these advances.

EFFECT OF PENAL TAXATION

There has not been much imagination in the mental processes of those who have governed us in regard to the conundrum as to how industry is going to find the money for the necessary replacing of old plant, seeing they have prevented us from making anything like adequate provision to meet that requirement by refusing to relieve us of the penalising effect of taxation on moneys set aside for that purpose. The nation's policy of late years has been to provide for current needs at the expense of proper provision for the capital equipment essential to the country's future prosperity.

A great volume of evidence has rightly been poured out by the leaders of industry in regard to the depressing effect of high taxation and the unimaginative way in which it has been levied on sums transferred to reserve. This predatory policy has been the "worm in the wood" rapidly eating away

the fabric upon which our future existence as a trading nation depends. It surely cannot be over-simplification to suggest that sums definitely earmarked—frozen if need be—for rehabilitation of shipping fleets should be free from all taxation, on the clear understanding that the moment they are used for any other purpose they become subject to the full measure of taxation at the rates then currently ruling.

We are very grateful for the pattern disclosed in the Budget recently presented to Parliament, demonstrating a new approach in the matter of industrial taxation. The relief in the basic rate, the reinstatement in part of initial allowances and the decision to bring excess profits levy to an end are all signs of a fresh outlook. These are reliefs so far as they go, but it must not be forgotten that initial allowances are not a gift or a remission, but merely a loan which has to be paid for in later years, while the reduction in the rate of income tax still leaves a burden, albeit a slightly less heavy one, on provisions for these great future requirements.

We are fully alive to the demands of progress upon an undertaking such as this company, demands which must be continuously kept in mind, seeing that upon the meeting of them the future of our organisation as a great line depends. We realise that these demands can only be postponed for a time and must sooner or later be faced. We will watch this position with the utmost care. There are, however, in the affairs of business organisations, as in all phases of human endeavour, times when a temporary pause is not merely justified but imperative, while uneconomic costs, both of construction and of trading, are allowed to run themselves down through the pressure of sheer necessity to levels more favourable to progress. We feel that the present is such a time to halt for a spell, particularly as the company is in the happy position of having behind it the results of the progressive policy pursued by my predecessor in the years since 1945.

MEETING CHANGED CONDITIONS

So far as the great industry of shipping is concerned, it should be plainly and fearlessly said that these times of transition invariably call for review of many of the methods which may have served well enough in the past. We cannot expect to go placidly on shackled to all the old ideas. We must adapt ourselves to new conditions, and this applies alike to the operative side as to the administrative. Greatly intensified efforts will be needed from both management and labour if the new era is to be tackled successfully. Among other factors, the competition of Germany and Japan will have to be reckoned with, two countries arising anew from the ashes of a world that has passed away. They are already showing plentiful signs that they do not intend to be encumbered by out-dated ideas and restrictions in any sphere of their activity.

The power of British shipping to compete in the world's markets will undoubtedly depend more than anything else upon the efficiency and personal interest in the job of everyone among us. I believe this is the key both to competitive capacity and to the desirable retention of a high standard of living—indeed these are but facets of the same thing, for one hinges upon the other. I am convinced that a determined spirit of individual and corporate endeavour will bring the reward it deserves.

In this centenary year of the great shipping company which has grown up from the fusion of the old Union Castle Lines, we have a tradition behind us which cannot fail to be a magnificent inspiration to everyone connected with the concern to preserve intact all that has been handed down to us. Included in this will be the desire and intention of myself and my colleagues, as it has been of our predecessors through the years, to work in the closest collaboration and harmony with Ministers and their officers in the seats of Government in South and East Africa and Southern and Northern Rhodesia, as also with their representatives in this country, in serving the best interests of those great countries. I feel that in this way we will also be serving the best interests of the Union-Castle Line.

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

At an extraordinary general meeting held after the annual general meeting, a special resolution was passed adopting new articles of association based upon the Companies Act, 1948, and modern practice.

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

CEREBOS LIMITED

The forty-ninth annual general meeting of Cerebos Limited was held on May 28, 1953, at Cerebos House, Willesden, London, N.W.10, Mr. W. Arnold Innes (the Chairman) presiding.

The following is the Chairman's review which was circulated with the report and accounts for the year ended December 31, 1952:

The year under review has not been without its difficulties, but I am happy to report results which I feel you will consider very satisfactory.

PRODUCTION

The various reconstruction and re-equipment programmes to which I referred in my review last year, have continued to make good progress. That at Greatham is now substantially complete, and that at Middlewich, which includes the provision of an entirely new vacuum plant, is making satisfactory progress. Apart from the increased efficiency which is bound to ensue from the completion of these schemes, it is our object to have, in all factories, a reasonable reserve of capacity. This will ensure not only a substantial degree of flexibility, enabling orders to be dealt with expeditiously and distributed from the most economical centre, but will also create a reserve which can be brought into operation should there, unfortunately, be anything in the nature of a major breakdown at any one factory. We shall not rest content until we are in a position to despatch every order within 24 hours of the time of its receipt at the factory. The new buildings and greater warehousing capacity for finished stocks have enabled us to make satisfactory strides in this respect.

The higher degree of all-round efficiency which we are able to achieve because of our various reconstruction schemes and of careful management, has enabled us to offset to a fairly substantial extent, increasing costs of labour, raw materials and fuel. Throughout the year, the supply of most raw materials, including packing materials, has improved, and at the present time, we have to contend only with what, in these days, must be considered as normal problems of production.

During the year our Middlewich factory and the three factories owned by our subsidiary, Henry Seddon and Sons Limited, have been brought under unified control. The legal entity of the two companies concerned will be preserved and we anticipate being able to effect substantial economies by this reorganisation.

HOME SALES, MARKETING AND ADVERTISING

Again I am happy to report that both in tonnage and in sterling our sales for 1952 were higher than any previously recorded, an achievement the importance of which I feel will be fully appreciated, particularly when due regard is paid to the economic difficulties prevailing at the present time and to the keen competition with which we have to contend. In this connection, we have found the various types of market research undertaken to be of considerable value, particularly in enabling us to direct our sales and advertising activities with a maximum effect commensurate with the most economical expenditure. Our various advertising and sales promotion campaigns have once again proved very successful and I would like to express my appreciation to our friends in the grocery trade for their co-operation and help in furthering these various projects. The degree of mutual trust and confidence which exists between the company and its customers is one of the many satisfactory features of the business.

Since the war, it has unfortunately been impossible not to increase to some extent the retail prices of our products, but it is noteworthy that over the course of the last thirty years the overall increase in the retail price of Cerebos Salt has been no more than 33 per cent and in the case of Bisto, where the purchase of expensive ingredients in the open market is involved, only some 60 per cent.

The fact that we have been able to confine these increases to such modest proportions is unquestionably due to the substantial increase in the volume of our sales. In this respect monetary figures are inclined to be rather misleading. It is probably therefore sufficient to say that in volume the sales of the Group as a whole have increased threefold between 1939 and 1952.

EXPORT

Our export sales continued to increase until March of last year, when, without warning, the Australian Government imposed very drastic restrictions upon all imports, thereby making it impossible for us to maintain, let alone increase, our total overseas turnover. However, our trade in other overseas markets showed an improvement of about 10 per cent compared with 1951.

For the past 40 years business in Australia has been conducted by our Sydney Office and since 1945 we have had under consideration various plans for establishing ourselves inside the tariff barrier, one of these being the merging of our business with that of an old-established company manufacturing "Gravox," a product very similar to "Bisto." Negotiations have been successfully concluded and I am glad to say that we have now purchased the whole of the share capital of Klembro Pty. Limited, the manufacturers of "Gravox." We are satisfied that this investment will prove a sound one, as we are now well placed to meet the ever-increasing demand in Australia for gravy powder.

Eventually we shall pack our proprietary brands of salt in the Commonwealth and to prepare the way for this we have formed a new subsidiary, Cerebos (Australia) Pty. Limited, which will take over all our interests in that country, including the Klembro Company. The new company has a nominal capital of £A250,000, of which £A50,000, in cumulative redeemable preference shares, have been placed with Australian Investors; we shall subscribe for all the remaining capital, consisting of 200,000 ordinary shares, which will be taken up as and when required.

I have just returned from an extensive visit to Australia and am glad to say that our new subsidiary has been placed upon a very sound basis. We have been successful in forming a strong local Board and I am satisfied that we are well placed to play our part in the wonderful future which lies before Australia with its increasing population and great natural resources. I had the privilege of meeting many Australians prominent in political and business circles and was greatly impressed by the warmth of their reception and their willingness to assist me in every way.

We continue to make special efforts to increase our trade with North America and I am glad to report encouraging progress in Canada. Our sales in that market last year showed an increase of one-third compared with the previous period. We are convinced that this progress can be accelerated considerably by the application of those sales methods which have proved so successful at home; accordingly, we have sent one of our senior sales representatives to Canada to assist our agents in their efforts to increase turnover. At the same time, we are strengthening very considerably our advertising for the purpose of bringing the merits of our products more prominently before the Canadian housewife.

In many other markets and despite the efforts of the government departments responsible for assisting British exporters, there is still little sign of any relaxation of the restrictions which have been in force for so long. A great deal is heard of the liberalisation of trade, particularly amongst the member countries of the European Payments Union, but many of these countries continue to apply restrictions which prevent us from meeting the demand for our products built up at considerable expense over many years. We continue to hope, however, that our Government will succeed eventually in inducing these countries to allow the import of those consumer goods which, in the past, represented a far larger proportion of the Country's export trade than is the case today.

DISTRIBUTION

I referred last year to the possibility of substantial increases in our fleet of motor vehicles. After due consideration of all the factors and particularly the rising cost of distribution and the unsatisfactory nature of the service we have been receiving under Nationalised transport, this policy has now been accepted. We are therefore in course of enlarging our fleet with a view to providing as far as possible a distribution service which will not only be more speedy and economical, but will also be under our own control.

One feature of this programme has been the introduction of trunk services—long distance services of heavy vehicles between factories and depots. The results so far have been encouraging and it is our intention to develop these services and to extend our local delivery services from our depots, thus enabling our products to remain under our own control from the factory to the customer.

An integral part of this development is the extension of our chain of depots. For many years we have operated depots in various parts of the country, for the most part in rented premises, many of which have been subject to numerous and irksome restrictions. It is our intention to acquire depot premises of our own at strategic points. We have recently acquired premises near Birmingham and have secured a valuable site in Nottingham, where, but for licensing restrictions, we should already have commenced to build. Other premises or sites will be acquired as opportunities offer.

INVESTMENTS

It is to be regretted that we have had to write off a further sum from the value of our gilt-edged securities. Nevertheless, it is satisfactory to note that since this was done at December 31, 1952, the investments in question have appreciated in value to the extent that they are now worth some £16,000 more than the written down book value. In total, a sum of £88,326 has been written off these holdings, but they are medium-term securities and we may reasonably hope to hold them to redemption and thus avoid any loss.

The trade investments continue to yield satisfactory returns and our holding of 50 per cent of the ordinary shares of Scott (Midlothian) Limited is proving to be very sound. We have every reason to be satisfied with the progress of this company to date. Scott's command the largest sale of porage oats in the British Isles, a position which is due to the high quality of Scottish Oats, scientific marketing and enterprising and essentially honest advertising. Porage is still the most nutritious and the cheapest cereal breakfast food.

SUBSIDIARY COMPANIES

Again it is satisfactory to be able to report that all our subsidiary companies have enjoyed a satisfactory year's trading and have made substantial contributions to the results of the Group.

STAFF AND EMPLOYEES

On behalf of the Board, I wish to place on record our warm appreciation of the excellent services again rendered throughout the year by all our employees. Such results as are disclosed by the accounts have been achieved only with their loyal support and devoted efforts, for which we are most grateful.

TAXATION

The reductions in taxation announced by the Chancellor in his recent Budget are very welcome and should provide a useful stimulant to industry generally. Nevertheless, it has been necessary to make provision for taxation on the profits of the year under review to the extent of no less than £683,607. Over the last six years the aggregate provided amounts to £3,228,000.

In this connection it should be remembered that the incidence of profits tax and excess profits levy, together with the inadequacy of the allowance for wear and tear of fixed assets, which in the long run is not affected by the reinstatement of initial allowances, welcome though this concession is, all mean that the effective rate of tax is much higher than is generally realised. In point of fact, almost two-thirds of the profit made by the company still goes to the Exchequer in taxation. We can only hope that the improvement in the general financial condition of the Country will continue and that future Budgets will successively reduce the heavy burden of taxation which is a brake on enterprise in all its aspects, the impact of which on future generations it is quite impossible to measure. The enthusiasm of the younger people is being sapped and the inducement for them to accept positions of responsibility is being steadily diminished. Only when a really substantial reduction can be made in the present level of taxation can continuous employment and real progress be assured.

ACCOUNTS AND DIVIDEND

The accounts for the year to December 31, 1952, are presented with such clarity that comments on them are probably superfluous.

The value of the fixed assets of the Group, including trade investments and after making adequate provision for depreciation, is £2,440,298, an increase of £148,910 on last year. This is attributable for the most part to new buildings and machinery at certain factories and additional motor vehicles. Net current assets at £1,292,954 have increased by £215,762. The note on the balance sheet shows clearly how the capital has been increased to £2 million and the effect of the bonus issue made in July last year on the group's reserves.

The net profit of the Group for the year after providing £683,607 for taxation is £418,923 (as against a comparable figure of £356,611 last year) which, together with the amount brought forward of £231,417, gives a total available of £650,340.

Your directors have given very careful thought to the question of the distribution to be made to stockholders and have decided that the results achieved justify their recommending a final dividend of 20 per cent, which, together with the interim dividend of 5 per cent paid in November last, makes a total dividend for the year of 25 per cent. As the capital has been increased from £1 million to £2 million since the last final dividend was paid, the rate of 25 per cent this year is comparable with 20 per cent for 1951.

In conclusion, I would like to express to my colleagues on the Boards of both Cerebos Limited and our subsidiary companies my sincere thanks for their support and co-operation throughout the year.

The report and accounts were adopted.

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

YORKSHIRE INSURANCE COMPANY LIMITED

RECORD FIGURES

The annual general meeting of this company was held on May 27th at York.

The Rt. Hon. Lord Middleton, MC, the chairman, in the course of his speech, said: We are able to present to you a very satisfactory picture. The considerable expansion which has been revealed in the accounts of the last few years has continued, and in the life, fire and accident departments record levels of business have been attained.

Life and Annuity Account.—In the life department 6,648 new policies were issued for a total of over £16 million, being £1½ million more than in 1951. The premium income was £400,000 higher at £2,600,000, and the fund rose by £2 million to over £24 million.

Fire Account.—At £4,084,513, our fire premium income again increased by more than £500,000, and is now something over twice the 1948 figure. The increase in premium income has been well distributed over the whole of our activities at home and overseas, with the exception of the United States.

Accident and General Account.—This account records another remarkable year of expansion.

Marine Account.—In the marine account the premium income, although over £2 million, fell slightly short of the corresponding figure in 1951, and claims were notably higher.

Profit and Loss Account.—Having satisfied ourselves that all prudent provisions had been made, we then turned our attention to the question of dividend. We have deemed it equitable not only to complete the restoration of dividend to its former level, but to go further and recommend to you that it be raised to 16s. per £ of paid-up capital.

The report was adopted.

HUDSON'S BAY COMPANY

A SUCCESSFUL YEAR

The two hundred and eighty-fourth annual general court of the governor and company of Adventurers of England trading into Hudson's Bay was held on May 22nd in London, Mr W. J. Keswick (the governor) presiding.

The following is an extract from his circulated statement for the year ended January 31, 1953:

The year under review was one of the most successful in the company's history. Consolidated gross earnings before taxes were £2,764,095, or £845,091 more than the corresponding figure last year. Taxes reduced these earnings to £1,114,104, compared with £758,703 last year.

Canadian production continued at a high level in nearly all fields, and the year saw new records for output, employment and income. The trading results now under review reflect these conditions, but they are also the result of reinvestment of earned profits in the business in recent years.

Retail stores.—Sales were this year £32,260,284 (last year £27,971,893); profit (before taxes) this year £1,776,115 (last year £884,683).

Fur stores.—Sales (turnover including fur, consignments and merchandise) were this year £26,442,906 (last year £22,730,688); profits (before taxes) this year £332,971 (last year £508,829).

Wholesale department.—Sales were this year £12,655,794 (last year £11,518,731); profits (before taxes), this year £333,247 (last year £290,136).

GOVERNOR'S ADDITIONAL REMARKS

The Governor, addressing the meeting, said: Ladies and Gentlemen,—This is the first time I have had the honour of being in the chair at an annual general court. I feel I cannot let this occasion pass without referring to the retirement of Sir Patrick Ashley Cooper and to his long and successful governorship of over 21 years, during which time he devoted himself unremittingly to the company's interests. Fittingly enough his last year of office proved to be one of great success for the company as a whole, and I should like to call your attention to some of the items of progress in the report and accounts which have now been in your hands for some time.

The sales in our retail stores rose by over £4 million. The sales in the wholesale department have increased by over £1 million. The collections from our land department, although now in the process of being wound up, exceeded expectations. The fur trade continued to do good business.

POINTS RAISED BY SHAREHOLDERS

I feel there is no need to apologise for these results. But I assure you that we feel in no way complacent about our good fortune. In fact, we have recently, as in the past, received in the course of the year from shareholders—some with substantial holdings—various suggestions and constructive criticisms on the conduct of the company's affairs. I am very grateful for these and for the spirit in which they were given. Admittedly they were received before the publication of the annual report which is before you today. I hasten, however, to make it clear that the board is always receptive to representations from shareholders and willing to hear constructive views from proprietors—large or small.

Perhaps it would be helpful if I enumerated some of the points raised. They ranged over a varied field, such as:

1. Domicile of the company.

2. The composition of the board and of the Canadian committee, which some consider as out of date and lacking "career" men, and without aggressive policies.

3. Demand for more aggressive management and expansion of our stores, and doubts whether adequate finance is available.

4. Expansion of our wholesale activities on a greater scale in North America.

5. Oil—inadequate finance and insufficient speed in exploring and development of our large acreage.

6. Divesting the company of its gas and oil interests.

THE REPORT A POSITIVE ANSWER

Many of these problems naturally are under discussion at our meetings from time to time, both in London and in Winnipeg. All receive careful consideration. I believe, however, that this annual report, together with the published figures setting forth one of the most successful years in the history of this company, is as positive an answer as any to most of these criticisms.

Surely the figures of the retail stores—both sales and profits—do not support a charge of sluggish and unimaginative management. The wave of prosperity in Canada alone did not, I submit, produce these results. Let us remember, too, that during this boom period since the war $30 million has been ploughed back into the company in extensions to buildings and replacements. Look at the balance sheet and the reserves.

OIL INTERESTS

In oil—that speculative and glittering carrot—we are reminded that our acreage is large and are asked if we are holding back development through lack of funds or lack of sufficiently aggressive exploration. It is hinted that an oil company with our advantages should be second to none and could do much better. These thoughts are a study in boom psychology. I confirm that up to the present the Hudson's Bay Oil and Gas Company has never to my knowledge been kept short or embarrassed by lack of funds for development. I confirm, too, that the Hudson's Bay Company's contributions to advances to the oil company have been well within our capacity without in any way prejudicing our other trading interests. I repeat, our complete confidence in our partners—the Continental Oil Company. We are, in my opinion, extremely lucky to have their technical knowledge, staff and resources in partnership with us. We are still in the stage of putting in more than we take out. But we share with our partners—and indeed with many others—the belief that we are moving along at a measured pace and on a well-balanced programme. We as yet have no reason to alter our belief in its eventual success.

I deprecate strongly the thought that either in trading or in oil we have developed in a timorous way our various interests or that our present method of financing is calculated to keep each interest moving at the pace of the slowest—or all at the pace of their venerable parent. The facts do not bear this out.

THE COMPANY A UNITED WHOLE

In our good fortune in Canada's discovery of oil and in our undeniable success in retail and fur trading I obstinately believe that those responsible for management and policy as trustees for shareholders should keep both feet firmly on the ground; that they should keep the company as a united whole—not hived off into bits; that they must keep pace with Canada's prosperity, but not through over-expansion in this time of boom get out of their depth; that, hand in hand with their oil partners, they should march boldly along with their planned programme for oil, providing or raising additional finance as and when necessary, with the avowed intention of preserving the equity in this oil venture for our proprietors, and which they feel confident is possible; but that they should not segregate at this particular time and should not fling money—borrowed or otherwise—on the table in speculation or at increased speed.

I appreciate fully that all that I have said is more likely to appeal to the long-term investor than to the speculator seeking quick capital gains or to those who see profit in tearing the company limb from limb. But I believe it to be the right policy and one which will be supported by a large majority of present shareholders of this company, which for 280 years as part of the history of both of London and Canada has acquired a public name and public responsibility. Respectability is a middle-aged aim, but it is also a long-term virtue.

NO LACK OF VITALITY

Any company which remains for nearly three centuries the centre of controversy, envy and criticism, as the Hudson's Bay Company has been and still is, is, I believe, unlikely to lack vitality or to become drowsy for the want of aggressive management.

No doubt there will be those who remain convinced that with more "enlightened" policy and a less conservative attitude we could do more and better and quicker things. I assure them we welcome their help. We do not spurn or ignore their suggestions. But I must frankly state that if these are allowed to develop into mere irresponsible comment and attack upon the whole direction, management and staff, they must have a detrimental effect on the morale of the staff to whom we owe so much and also upon the general well being of the company.

TRIBUTE TO MANAGEMENT AND STAFF

The board and the Canadian committee can well stand these general attacks. But I would not like to think that the staff and management who have given us such convincing and successful returns in recent years are included in these attacks.

I am sure that proprietors will be interested to know that the percentage of shares held by various nationalities on May 8, 1953, the date on which the share transfer books were closed, were: 67 per cent of shares were held in the UK, compared with 68 per cent in 1952; 17 per cent in Canada, compared with 16 per cent in 1952, and 16 per cent by non-British shareholders, compared with 16 per cent in 1952.

The report and accounts were unanimously adopted.

AMALGAMATED ROADSTONE CORPORATION

ROADS — CINDERELLA OF GOVERNMENT SPENDING DEPARTMENTS

NEW SHIPPING SUBSIDIARY

REVIEW OF ACTIVITIES

The seventeenth annual general meeting of Amalgamated Roadstone Corporation, Limited, was held on May 27th in London.

The following is an extract from the statement circulated by the joint managing directors (Mr D. W. Cleaver, DSO, and Mr W. H. Gatty Saunt): It is with great regret that we have to record the death of our late chairman, Mr J. S. Killick, CBE, MInstCE, MInstHE, on December 8th last. He had served this company as deputy chairman from September, 1946, to October, 1948, and as chairman from October, 1948, to the day of his death. We and our colleagues on the board, as well as all the employees of the company, will miss greatly his genial presence and his never failing advice and guidance.

Trading profits, depreciation, initial allowances and taxation are again all higher than in the previous year's accounts.

During the six years ending October 31, 1952, capital expenditure, less sales, on plant, equipment and transport within the group (excluding the new shipping subsidiary referred to below) has amounted to £1,769,000, of which £1,116,000 has been contributed out of profit by way of initial allowances and depreciation.

The value of the fixed assets shown in the consolidated balance-sheet at £2,575,000 includes £1,608,000 for plant, equipment and transport. This latter figure is approximately £161,000 less than the new capital expenditure of the last six years above mentioned.

DISTRIBUTABLE CAPITAL PROFITS

You will note in the consolidated balance-sheet an item, "capital profits account," totalling £23,241 resulting from sundry tax-free capital profits made in previous years. It is from this capital profits account that your directors now propose the payment on the ordinary stock of a capital dividend of 1 per cent, which will normally be free from both income tax and surtax. This should not be regarded as a special distribution, because it is intended to repeat such distribution whenever justified by the year's accounts. The incidence of distributed profits tax is such that it costs the company considerably less than a 2 per cent gross dividend and, at the same time, it is worth considerably more to any surtax payer.

Certain developments are now materialising which we believe should result in the earning of distributable capital profits, and from the accounts of the new subsidiary, Williamstown Shipping Company, Limited, which are enclosed together with the accounts of your corporation, you will note that in the year ended October 28, 1952, the capital profits earned amounted to no less than £42,525, to be added to previous similar capital profits exceeding £160,000.

The fleet comprises nine ships aggregating 18,100 tons deadweight. Only two—7,500 tons—are prior to 1946, and are due to be sold this year and next. Seven ships aggregating 10,600 tons are all postwar, the last two having been commissioned in 1952. One new ship under construction is due before the end of 1953 and another is under contract for delivery in 1954.

This shipping company, in which, at a net cost of £321,600, your company has acquired 105,250 £1 shares—just over 59 per cent of the 178,000 issued—earned for the year ended October 28, 1952, after profits tax and excess profits levy, but before income-tax, £85,817, and paid a dividend of 20 per cent, less tax, absorbing £18,690. The carry-forward was increased by £47,045 and the capital reserve by £42,525—together equal to 50 per cent of the issued capital. Earnings for the first six months of the current financial year are estimated to be in excess of those of the corresponding period last year.

Your company has for many years been well served by this shipping company in the shipment of a substantial proportion of its seaborne deliveries of stone. When the opportunity occurred to acquire a controlling share, we had the benefit of an up-to-date professional valuation of every ship in the fleet and of a most thorough investigation of its accounts by our auditors, who gave a net "break-up" value per share approximately 80 per cent higher than the price we paid.

AMALGAMATED LIMESTONE CORPORATION

You will remember that three years ago Amalgamated Limestone Corporation, Limited, was formed to take over from your company all "non-roadstone" limestone interests. The Limestone Corporation accounts to October 31, 1952, together with directors' report and joint managing directors' statement, are enclosed herewith for the reason that your company holds somewhat more than half its issued share capital and is therefore materially interested in its position and prospects; consequently, we need not here recapitulate what is included therein.

We should mention, however, that in connection with cement works in Kenya Colony initiated by your subsidiary, Amalgamated Limestone Corporation, Limited, your company is guaranteeing as to principal and interest, up to £170,000 of 6 per cent Unsecured Redeemable stock of the British Standard Portland Cement Company, Limited, to which reference is made in the statement accompanying the accounts of Amalgamated Limestone Corporation enclosed herewith. The last note under the heading "Contingent Liabilities" shown at the foot of the balance-sheet of your company relates to part of this commitment.

You will note from the report and accounts that £38,600 has been provided for excess profits levy, a burden which is unfortunately still with us until December, 1953, and that the appropriation to income tax on current profits, £49,500 (£29,500 more than last year), covers all income tax due up to and including January 1, 1954.

CURRENT YEAR'S PROSPECTS

The results for the first five months from November 1, 1952, to March 31, 1953 (excluding, of course, the Williamstown Shipping Company and Amalgamated Limestone Corporation), have been disappointing when compared with the very satisfactory results achieved during the corresponding months in the year 1951-52, due mainly to the fact that in addition to exceptionally unfavourable weather conditions, the Government failed to make available the additional road grants to local authorities, which have, in past years, been made available during the winter months.

Prospects for the remaining months of the company's year are encouraging and, even if the seasonal falling off were not wholly made good within the financial year, the effect on retainable profits could only be insignificant, as there will inevitably again be a substantial liability for excess profits levy.

Your directors are satisfied that a dividend at a rate of not less than 10 per cent and a capital dividend of not less than 1 per cent can be maintained on the ordinary capital as proposed to be increased, barring, of course, the occurrence of any unforeseeable major calamity.

Roads have for years been the Cinderella of the spending departments of the Government. That situation cannot persist indefinitely and every year that passes brings increased expenditure inevitably nearer. If expenditure on rearmament were to be curtailed, the claims of an extended road programme, in the interests of time and money saving as well as of safety, could hardly be ignored by any responsible administration.

As usual, we have had throughout the year under review the loyal and helpful service of the staff of the company in all its ramifications and undertakings. For their assistance, we tender to them, not only on your behalf but for ourselves as well, our most sincere thanks.

The report and accounts were adopted and a total dividend of 10 per cent and a capital dividend of 1 per cent was approved.

BRITISH ROPES, LIMITED

RECORD SALES

The thirty-first annual general meeting of British Ropes, Limited, was held on May 27th in London.

Mr Herbert Smith, the chairman, in the course of his speech, said: The trading profit of the group before taking into account exceptional items is approximately £500,000 less at £1,868,000 than the £2,365,000 recorded for the previous year, despite an increased turnover. After taking into account the exceptional items the group profit at £1,399,000 is down considerably when compared with the £2,592,000 recorded in the previous year.

The net dividends paid and proposed to be paid are at the same rates as for 1951, but following the bonus issue of ordinary shares last year the amount required to meet the net dividend on the ordinary stock is £206,000, compared with £149,000 in the previous year. The net distribution is £206,558, which is almost identical with last year.

During the year 1952 the value of our total sales reached a record figure, and we recovered in our wire and wire rope sections from the shortage of steel wire which curtailed our activities in 1951. In the aggregate our export sales recovered to some extent from the low level of 1951, mainly on account of the improved supplies of steel during the latter part of the year. The aggregate value rose very considerably. Competition has now become very much more intense.

Wire, wire ropes and cordage are essential to the prosperity of this country either in peace or in war, and we can be quite certain that if trade generally is good then we shall be busy.

The report was adopted.

P. & O. STEAM NAVIGATION COMPANY

RECORD RESULTS

The 113th annual general meeting of this company was held on May 27th in London, Sir William Crawford Currie, GBE, the chairman, presiding.

After paying tribute to the late Lord Cromer and referring to the election of Sir John Hathorn Hall to the board the chairman, in the course of his speech said: Contrary to the view I ventured to express in this room last year, the results for the year to September 30, 1952, have exceeded those of the previous year, which, in their turn, had exceeded those of any year since we began to publish group accounts. Our thanks for this result are due to certain of our subsidiary companies, in the main those engaged either in the tramp trades or in trades closely affected by the tramp market. As is well known, a steady demand for tramp tonnage sprang up soon after the outbreak of the war in Korea and continued unabated until the beginning of 1952. The resultant high rates of freight and the high time-charter rates obtainable by tramp ships sustained their level of profits for longer than had been expected.

In a recent Press commentary on shipping results the name of the P. & O. and its favourable experience was linked with passenger lines, and it was suggested that the fall in freight rates had had no significant consequences. It is important that stockholders and the public at large should clearly understand that the results shown in our accounts are not those of a passenger ship company, nor indeed those of the P. & O. Company itself. They are the combined result of a great variety of trades and of tonnage which ranges from a small coaster to a large passenger ship.

REPLACEMENT COST

The cost of new tonnage gives your board and the boards of our allied companies the greatest anxiety. It is traditional that the shipping companies of this country should be built up by ploughing back profits in good years so that they may be able to weather the storms of the lean years. This policy the group so far has been able to follow, despite the war and the restrictions that accompanied it, and seven years of crippling taxation never before experienced in times of peace. This has only been achieved by a conservative dividend policy and by setting aside cash for the replacement of ships.

The size of the problem which faces us and how we are meeting it can be judged from the figures of the past four years. Out of operating profits of £70 million no less than £47 million has been set aside for renewing the fleets and £2 million for improving staff pension funds, all of which and more has actually been spent. Of the £21 million net profit remaining, £17 million has been absorbed in taxation at home and abroad and £4 million has been paid out as dividends to stockholders of the parent and subsidiary companies.

One hesitates to say very much more than has been said already about taxation, but I must confess to a feeling of alarm about the taxation burden in the years to come when, through the operation of initial allowances which we are receiving now, there will be no annual wear and tear allowances on ships which will still have one-third of their useful lives to run. The report of the Royal Commission on Taxation is anxiously awaited by the business community and by none more than the shipping industry.

The report was adopted.

SCHWEPPES, LIMITED

INCREASED SALES AND PROFITS

The fifty-sixth annual general meeting of Schweppes, Limited, was held on May 28th in London, The Hon R. Hanning Philipps, MBE (the chairman), presiding.

The following is an extract from his circulated statement:

For the first time in the history of your company, the consolidated profit on trading has passed the £1 million mark. In the Home and Ships Stores Trades the combined value of sales of Schweppes, Kia-Ora and Quinnette products has shown an increase of 21.7 per cent over 1951. This has been achieved with practically no increase in our selling prices since 1948. Our export trade, including sales under franchise arrangements, has shown an increase in value of 20 per cent.

In view of these satisfactory results, and after transferring £118,114 to general reserve, the board have thought it only reasonable to raise the dividend from 15 per cent to 16 per cent.

In South Africa, sales of Schweppes' products have again been a record and we would like to congratulate our South African board on their excellent results. During the year the new Durban factory started production and we are confident that it will in due course earn good profits.

In Australia our trading experience has been somewhat mixed. In Sydney and Adelaide sales have remained poor as a result of the economic factors mentioned in my report a year ago.

In Melbourne, however, partly as a result of the temporary weakening of competition, we have done exceptionally good business; and the advantage gained has so far been well maintained.

FRANCHISE ARRANGEMENTS WITH PEPSI-COLA COMPANY

In the autumn of last year we entered into negotiations with the Pepsi-Cola Company of America, for two franchise arrangements. Under the first one the Pepsi-Cola Company will be responsible for the bottling and selling of Schweppes' products in the United States and Canada. The instrument for carrying out the American agreement is a new company which has been formed under the name Schweppes (USA), Limited, a wholly owned subsidiary of Schweppes (Overseas), Limited. This new company has now completed its plans for Pepsi-Cola to commence bottling Schweppes' Tonic in New York in May.

Under the second one it is proposed that Schweppes shall be responsible for the bottling and sale of Pepsi-Cola in specified areas in England, beginning with London and the South. With the end of sugar rationing in sight, we hope shortly to complete these negotiations with the Pepsi-Cola Company, after which a new company will be formed to provide the entirely separate organisation that will be necessary, to bottle, sell and distribute this product.

In order to be in a position to exploit these two projects your board have come to the conclusion that fresh capital will be needed. Permission has been obtained in principle to the raising of this capital and we are accordingly applying to the Capital Issues Committee to make a rights issue of £250,000 nominal capital in ordinary shares.

As regards the progress of our business during the current year, I can only tell you that sales in the first quarter of 1953 showed a consistent increase over the same period in 1952, and subject to world conditions remaining stable, there is every reason to hope for another successful trading year.

The report was adopted.

G. & J. WEIR, LIMITED

SATISFACTORY PROGRESS

The fifty-ninth annual general meeting of G. & J. Weir, Limited, will be held on June 23rd at Glasgow.

The following are extracts from the statement by the chairman, The Rt. Hon. Viscount Weir of Eastwood, GCB, LLD on the accounts for 1952:

It is a pleasure to report once again another year of satisfactory progress with new and encouraging levels of achievement.

The trading balance brought into the Group consolidated profit and loss account, together with other credits, has risen by £260,614 to £1,683,061, and after making provision for all charges, the net surplus has risen by £75,905 to £570,398. The interim dividend for 1952 of 5 per cent less tax on the company's new capital was paid on November 26, 1952, and it is now recommended that the final dividend to be paid on July 24, 1953, should be 12 per cent less tax.

Last year I made it clear that so long as the penal rate of taxation persisted, the finance we required could no longer be provided out of net earnings and that our policy would be to secure this finance from increased bank borrowing powers. This course has been followed, and the result is reflected in the higher bank loan and overdraft of £980,725. The severity in growth of taxation, its relation to our output and to our net dividend distribution is again shown in the following progress table:

Year	Index of value of group's output	Total taxation £	Net Dividends paid £
1946	100	256,559=100	148,009=100
1947	129	329,787=129	148,009=100
1948	143	483,226=188	148,009=100
1949	160	605,922=236	148,009=100
1950	197	621,626=242	166,510=112
1951	242	763,507=298	158,942=107
1952	308	873,471=340	180,134=122

It is now seven years since the company became a public one, and its progress is reflected in the index output value shown on the progress table. In 1946 the index group output was 100; it has risen to 308 in 1952, and we have every faith in achieving in 1953 a still greater rate of increase. Justification for expansion, particularly in the engineering division of our activities, is based not only on the ever-growing magnitude of our order book but also on the nature and composition of these orders in terms of national importance.

SURVEY OF PERFORMANCE

Once again the output achievement at Cathcart is a record in value in both the domestic and export fields. During the year we secured two exceptionally large contracts for evaporating and distilling plant, both of dollar saving character.

Drysdale and Company, Limited, had a new record year in 1952 inasmuch as the order book and the output figures were the highest in their history, including the war years.

On balance we have to congratulate ourselves on a very strong export order book, appreciably increased over that of the previous year.

The output of houses from Weir Housing Corporation, Limited, continues to increase. The target of 4,000 houses of brick or concrete construction was reached in 1952, thus providing a record year.

We start 1953 in a definitely better situation in regard to material supplies; we have fewer fixed price contracts to fulfil and our manufacturing facilities are steadily increasing.

BRITISH INSULATED CALLENDER'S CABLES

TURNOVER OF £85 MILLION

The eighth annual general meeting of British Insulated Callender's Cables, Limited, will be held on June 18th in London.

The following is an extract from the circulated statement of the chairman, Sir Alexander Roger, KCIE:

During 1952 the parent company enjoyed the benefits of a full order book, enabling us as materials became more freely available to plan production on the most efficient basis and to achieve record figures both in the volume and value of our turnover. Profit on trading increased by £1,435,183.

Of this improvement, after allowing for decrease in receipts from investments, 63 per cent is absorbed by taxation, the total requirements of which amount to the enormous figure of £3,368,492.

Out of the profit left available after taxation, we propose to transfer £500,000 to contingencies reserve and £1 million to reserve for replacement of fixed assets; to bring the total distribution on the ordinary capital for 1952 up to 10 per cent less income tax; and to add the £178,030 left unappropriated to the balance carried forward to 1953.

From an output point of view the experience of practically all members of the BICC group has been similar to that of the parent company and many substantial increases have been achieved.

Since the end of the war up to December 31, 1952, the BICC group have had to provide some £23 million in their accounts for taxation. Favourable trading conditions, a conservative dividend policy, and, I think we can claim, good management and personnel, have enabled us, one might almost say in spite of taxation, to build up reserves. But think what could have been done in still further increasing our efficiency and strengthening our world-wide position had even one-third of our taxation requirements been left with us. Think, too, of the possibly delayed effect of those crippling taxation payments as we face the much more difficult trading conditions which now lie ahead.

The world-wide turnover of the BICC group for 1952 (admittedly a period of high copper prices and great activity) was some £85 million.

It is impressive that this has been achieved notwithstanding the continuance of import and currency restrictions in many of our main markets and in face of growing international competition.

THE OUTLOOK

Some months ago there was a noticeable change from a sellers' to a buyers' market and competition, especially in overseas markets, is now particularly keen. This, with the general shortage of finance, very marked in certain overseas countries, and almost everywhere a varying lack of confidence in the immediate future, has resulted in a substantial falling off in the rate of intake of new orders.

Conditions during 1953 are not likely to be as good as in the record year of 1952, which, in retrospect, was undoubtedly a year of very favourable trading. But over any reasonable period the demand for our products must continue. We have a wide base both in the variety of our products and in the world-wide spread of our activities. We are constantly improving the efficiency of our plant and machinery. And, above all, we have in the BICC group an organisation and a body of loyal and competent men and women who will, I am confident, be equal to the problems which may confront us.

DAVIS AND TIMMINS

POSITION OF FINANCIAL STRENGTH

The fifty-fourth annual general meeting of Davis and Timmins, Limited, was held on May 26th in London, Mr F. Le Neve Foster (chairman and managing director) presiding.

The chairman, in the course of his speech, said: The group trading profit is £332,594, as compared with £308,521 for last year, while the net profit, after a larger allowance for depreciation and provision for taxation and directors' emoluments, amounts to £97,912, compared with £115,928.

The directors recommend a final dividend of 15 per cent and a cash bonus of 5 per cent on the enlarged ordinary share capital, resulting from the bonus issue made during the year, making with the interim dividend of 5 per cent already paid on the smaller capital a total distribution of 24⅄ per cent on the present issued ordinary capital. The appropriations for dividends and other items leave the sum of £151,884 to be carried forward, as against £145,181.

Turning to the consolidated balance sheet, it will be seen that the company is in a strong financial position. Notwithstanding the bonus issue, the consolidated balance sheet discloses capital and revenue reserves of £504,335 (including £136,776 for future income tax).

METAL SUPPLIES

Today there is no shortage of metal supplies and the price of brass has fallen by 36 per cent, 2s. 4d. per lb in May last year, 1s. 10⅄d. per lb at the end of last year, and today 1s. 5⅄d. per lb.

Our stocks of and forward commitments for metal can be regarded as being "clean" at the end of the year, and were at a lower level than might reasonably have been expected. We are pursuing a policy of caution to meet a continuing fall in prices.

We have taken steps to strengthen our sales organisation by the addition of more representatives in the field and by ensuring prompt and keen attention to inquiries and quotations. At the same time we are investigating new markets and our technical staff are redesigning for the benefit of our customers many of our standard products to enable us to meet competition.

We have devoted particular attention to our stock sales department, which covers a large proportion of our total turnover. This department is a stabilising influence in our business and we are making every effort to ensure that it gives the service on which its success must depend. For the first time since the war we now have adequate finished stocks on which to base this service and I am pleased to report that our prewar twenty-four hours' delivery service ex-stock is once more operating successfully. Great emphasis is being given to this important aspect of our business and the first of a series of new price lists is now available.

During the latter part of 1952 there was a general slowing down of business in our trade following the fall in metal prices and, as mentioned in our report, highly competitive conditions developed. These have become accentuated during the current year.

Stringent steps have been taken to meet the need for lower operating costs, and it has been found possible to make economies in overhead expenditure and non-productive labour without impairing efficiency. Other measures are also in hand which should, when trade improves, place us in a favourable position for the future.

The report was adopted.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

MR P. M. ANDERSON'S SPEECH

Mr P. M. Anderson, the chairman of the company, in addressing stockholders at the annual general meeting held at Johannesburg on May 19, 1953, said that the fall in the working profit for the year of almost half a million pounds was due to three major factors of approximately equal incidence, namely, the average price received for gold was lower; the yield of ore milled decreased; and working costs were higher. Under normal conditions these three factors could have been offset to a large extent by the milling of more ore. This was not possible, however, due to the shortage of native labour.

He stated that the average price received for the whole output of gold was 255s. per oz fine, or 5s. 6d. less than in 1951.

The tonnage milled at 2,316,000 tons was a little below the record figure achieved in 1951 and thus was still below the mill capacity. The average yield at 4.33 dwt was lower by 0.12 dwt in keeping with the lower average value of the ore reserves. The working revenue at £6,411,481 was £381,539, or 2s. 9d. per ton milled lower than in 1951.

There was a further increase in working costs of £114,667, or 1s. 2d. per ton milled, so that the working profit fell by £496,206 to £3,375,694.

Provision for taxation amounted to £1,759,448 and the net profit was £197,373 lower at £1,621,425. Two dividends totalling 2s. 6d. per unit of stock were declared, absorbing £1,429,852. The balance unappropriated was £663,210.

As the ore reserves of the mine were well ahead of requirements and the main haulage system was nearing completion, it had been possible to curtain development footage by 8,182 ft to 49,845 ft. 37,450 ft were sampled and 18,590 ft, or 50 per cent, proved payable, averaging 15.1 dwt over 14 in.

The recalculated ore reserve increased by 500,000 tons to 16 million tons, averaging 4.6 dwt over an estimated stoping width of 47.5 in. The value and the width were lower by 0.1 dwt and 0.5 in respectively.

During the first quarter of 1953 the ore milled was 545,000 tons and the working profit £698,530. In addition, revenue from premium gold sales amounted to £36,268. Development footage totalled 10,378 ft and of the 8,200 ft sampled 3,640 ft, or 44 per cent, proved payable, averaging 13.9 dwt over 13 in.

A member asked whether the three reasons given by the chairman in his report were the only reasons for the fall in working profit. He also inquired why the Gold Producers' Committee did not take steps to sell the entire industry's gold output on the open market as was done in other parts of the world.

The chairman in reply stated that he was not aware of any reasons, other than those given in his report, for the fall in working profit. As far as the sale of gold for artistic and industrial purposes was concerned, this was entirely a matter for the Treasury. The Minister of Finance, who had been instrumental in arranging the sales at enhanced prices, had set a limit of 40 per cent of the industry's output, and accordingly the matter was out of the hands of the industry.

The report and accounts were adopted and the retiring directors, Messrs C. B. Anderson and J. Boyd were re-elected. The special resolution amending the Articles of Association in regard to the length of notice of meetings was passed unanimously.

MARIEVALE CONSOLIDATED MINES, LIMITED

MR P. M. ANDERSON'S SPEECH

Mr P. M. Anderson, the chairman of the company, in addressing members at the annual general meeting held at Johannesburg on May 20, 1953, said that the average price received for the output of gold during 1952 was 255s. 4d. per ounce fine, or 5s. 1d. less than in 1951.

Due to the shortage of native labour the tonnage milled decreased by 6,000 tons to 723,000 tons. As the yield was a fraction higher the output increased slightly to 181,249 ounces. The working revenue declined by £44,767 to £2,320,212, due to the lower average price received for gold. Working costs rose by £16,439, or 9d. per ton milled, so that the working profit decreased by £61,206 to £947,849.

Provision for taxation absorbed £430,302 and the net profit was £506,819. Two dividends, totalling 1s. 8d. per share, were declared, and absorbed £375,000. Provision for capital expenditure was £115,838, and the carry forward was increased slightly to £469,234.

The development footage driven totalled 32,475 feet. Of the 22,522 feet on the Main Reef Horizon 13,915 feet were on reef and sampling disclosed 6,330 feet, or 45 per cent, payable averaging 19.8 dwt over 16 inches. 9,953 feet were driven on the Kimberley Reef Horizon and 6,075 feet were on reef and sampled, disclosing 1,290 feet, or 21 per cent, payable, averaging 12.4 dwt over 18 inches. On the same reef horizon the No. 6 Level East Drive from No. 5 Shaft was advanced a further 2,915 feet inside the farm Bloemendal No. 19, but no values of consequence were encountered and the drive was stopped. In view of the values near the eastern boundary the company had decided to purchase the precious metal rights over a strip of ground measuring 157 morgen on Bloemendal adjoining the north-east boundary of the company's property.

The ore reserve recalculated as at December 31, 1952, increased by 300,000 tons to 3,500,000 tons averaging 5.5 dwt over an estimated stoping width of 46 inches, the value and width remaining unchanged.

A new rod mill and ancillary equipment, which are expected to increase the capacity of the reduction plant by about 9,000 tons a month, were installed and ready for use by the end of 1952.

During the first quarter of 1953 the ore milled was 178,000 tons and the working profit £195,429. In addition £11,700 accrued to the company from premium gold sales. 4,429 feet were driven on Main Reef of which 2,745 feet were on reef and sampled and 1,660 feet, or 60 per cent, was payable, averaging 22.6 dwt over 14 inches. On the Kimberley Reef Horizon 3,231 feet were driven and of the 2,000 feet on reef and sampled, 620 feet, or 31 per cent, was payable, averaging 14.9 dwt over 13 inches.

The chairman referred with regret to the deaths of Mr R. Bowman in July, 1952, and of Sir Robert Kotze in March this year.

In reply to a question by a member, the chairman stated that there was no immediate prospect of uranium production.

The report and accounts were adopted, and the appointment to the board of Maj. Gen. F. H. Theron, CB, CBE, was confirmed. The retiring directors, Messrs M. W. Richards, G. V R. Richdale and T. P. Stratten, were re-elected. As the necessary representation of capital to pass the special resolution amending the articles of association of the company was not present, the meeting was adjourned until May 27, 1953, at 11.15 a.m.

ST HELENA GOLD MINES, LIMITED

MR P. M. ANDERSON'S SPEECH

Mr P. M. Anderson, the chairman of the company, in addressing members at the annual general meeting held at Johannesburg on May 19, 1953, said that the tonnage milled in 1952, the first full year of production, amounted to 598,000 tons with an average yield of 3.96 dwt per ton. The working revenue, which included a premium of £36,993 received in respect of sales of gold for artistic and industrial purposes, amounted to £1,513,929, or 50s. 8d. per ton milled. Working costs amounted to 46s. 6d. per ton milled, or a total of £1,390,642, so that the working profit for the year was £123,287.

He stated that the net profit was £129,581. From this profit £48,150 was appropriated to cover loan account expenses, £35,640 to write off the debit balance brought forward, and after making provision for the other items specified in the appropriation account, a balance of £8,359 was carried forward.

Expenditure of capital funds during the year totalled £673,900, which included £267,613 in respect of development footage in excess of that charged to working costs. While it was still necessary, in order to strengthen the ore reserve position, to carry out a substantial amount of development and to charge a portion of the cost to capital account, it was anticipated that total capital expenditure during the current year would be well below the 1952 figure.

The development footage driven during 1952 was substantially higher at 65,604 feet. Of the 33,520 feet on Basal Reef and sampled, 14,485 feet, or 43 per cent, proved payable with an average value of 14.1 dwt over 22 inches, equivalent to 311 inch dwt. Although the value was somewhat lower, the greater development footage on reef, combined with the higher percentage payability, resulted in the payable footage being trebled as compared with 1951.

The ore reserve recalculated as at December 31, 1952, was 1,250,000 tons, or double the amount at the end of 1951, and averaged 5.3 dwt over an estimated stoping width of 50 inches, the value being 0.6 dwt lower and the width 2 inches more than at the end of the previous year.

During the first quarter of 1953 the scale of milling operations continued to increase. The ore milled totalled 181,000 tons and the working profit was £49,769, to which must be added £10,702 from premium gold sales; 16,099 feet were driven on Basal Reef, of which 7,015 feet were on reef and sampled, disclosing 2,870 feet, or 41 per cent, payable averaging 10.3 dwt over 27 inches, equivalent to 277 inch dwt.

In concluding, Mr Anderson said that, while the stope face position had shown progressive improvement resulting in a regular stepping up of tonnage milled, working results had been adversely affected by a number of factors. The chief of these were insufficient supply of labour, increases in the cost structure, continued need to carry out extensive cementation work to seal off water-bearing fissures, and a shortage of electric power. In the light of these difficulties, the gradual but steady improvement in the mine's position and in operating results was encouraging for the future.

The report and accounts were adopted, and the retiring directors, Messrs W. H. A. Lawrence, T. P. Stratten and J. S. Walker, were re-elected.

VAN DYK CONSOLIDATED MINES, LIMITED

MR P. M. ANDERSON'S SPEECH

Mr P. M. Anderson, the chairman of the company, in addressing the members at the annual general meeting held in Johannesburg on May 20, 1953, stated that the average price received by the company for the output of gold during the year under review was 255s. 3d. per ounce fine, or 5s. 7d. less than in 1951.

He stated that the tonnage milled increased by 42,000 tons to 1,246,000 tons, so that while the yield at 2.95 dwt was 0.07 dwt per ton lower, the total output increased slightly to 183,649 ounces fine. As a result of the lower price received for gold, however, the working revenue decreased by £26,544 to £2,349,650. Working costs rose by £47,396 to £2,160,904. The working profit for the year thus amounted to £188,746. Capital expenditure which was largely in connection with work in the No. 5 Shaft area absorbed £68,835, which was substantially less than in 1951. After providing for the other items mentioned in the appropriation account, the carry forward was increased by £90,808 to £162,268.

Development footage decreased slightly to 50,004 feet, of which 28,435 feet were on reef and sampled, disclosing 10,230 feet, or 36 per cent, payable averaging 9.9 dwt over 23 inches, equivalent to 228 inch-dwt.

Of the total footage advanced, development from No. 5 Shaft accounted for rather more than half at 27,973 feet, 11,170 feet being on reef and sampled. 4,345 feet or 39 per cent proved payable, averaging 10.2 dwt over 24 inches or 244 inch-dwt.

The ore reserves decreased by 200,000 tons to 1,500,000 tons, averaging 3.5 dwt over 41 inches, the value being 0.1 dwt lower and the width 1 inch more than in 1951.

The inadequate and reducing ore reserves resulted during 1952 in the mining of an increasing proportion of marginal ore not included in the reserves, thus adversely affecting the yield. Owing to the shortage of native labour, which had become accentuated during 1953, it had not been possible to maintain the mill tonnage and the mining of some lower grade ore had been discontinued. The result was an increase in the yield of about a quarter of a pennyweight, but unfortunately this had been more than offset by a rise in working costs. Hence the ore milled during the first quarter of 1953 decreased to 274,000 tons and the working profit was only £17,414. In addition £12,246 accrued to the company from sales of gold at a premium.

DEVELOPMENT WORK

In the No. 5 Shaft area, up to the end of March 1953, development work had totalled just over 56,000 feet, much of which had been off reef due to the faulting and folding of the formation and the need to carry twin headings for ventilation purposes. Of the 18,170 feet on reef and sampled 5,830 feet or 32 per cent had proved payable, averaging 10.6 dwt over 22 inches, equivalent to 234 inch-dwt. The work done to date was small in relation to the area to be explored and so far the values had been sporadic with little in the way of continuous payable stretches.

Expressed in another form, the position in the No. 5 Shaft Area, on which the future of the mine depends, was that reef exposures occurred in two areas—the one in the syncline at No. 5 Shaft, dipping South and East; the other 6,000 feet to the West near Borehole V.S.6, and dipping to the West. In the former area, 9,990 feet had been sampled, of which 31 per cent was estimated to be payable, averaging 7.8 dwt over 25 inches, or 196 inch-dwt. In the West Area 7,220 feet had been sampled, of which 36 per cent was payable, averaging 16.0 dwt over 18 inches, equivalent to 288 inch-dwt. To illustrate further the erratic distribution of the values, scattered throughout the area near the borehole about 4 per cent of the samples were over 750 inch-dwt in value, as compared with the 769 inch-dwt disclosed in the borehole.

Exploration work done so far had been confined to the 48th Level Horizon, and before stoping could be undertaken connections would have to be made with the 44th Level. A crosscut from the shaft on this level had recently picked up the Reef in the syncline area and was being continued to intersect the reef about 5,000 feet to the West in the borehole area where it was hoped to make the connection with 48th Level about the end of 1953. Stoping on a small scale might therefore be possible in about a year's time but until more was known about the faulting and folding of the reef and the distribution of the gold values it was not possible to forecast to what extent No. 5 Shaft could contribute to the replacement of low grade ore coming from the upper mine.

In summary, owing to the slender ore reserve and the inadequate native labour supply, the mine was passing through a difficult time. There were now only 3,300 natives at work underground compared with 5,800 in the peak year of 1942.

The report and accounts were adopted and the retiring directors, Messrs C. B. Anderson and J. S. Walker, were re-elected.

GEDULD PROPRIETARY MINES, LIMITED

MR P. M. ANDERSON'S SPEECH

Mr P. M. Anderson, the chairman of the company, in addressing members at the annual general meeting held at Johannesburg on May 19, 1953, stated that the average price received by the company for the output of gold during the year under review was 255s. 1d. per ounce fine, or 5s. 8d. less than in 1951.

He stated that the ore milled at 1,253,000 tons and the average yield at 2.90 dwt per ton showed small decreases compared with the previous year. As a consequence of this and the lower price received for gold, the working revenue at £2,332,506 was lower by £79,777, or 1s. 1d. per ton milled. Working costs increased by 1s. 11d. per ton milled and absorbed £1,863,773, so that the working profit at £468,733 was £189,663 less than in 1951.

Income from investments, principally from the company's holdings in East Geduld Mines and in Grootvlei Proprietary Mines, amounted to £726,005, or £46,828 less than in 1951.

Provision for taxation absorbed £126,253 and the net profit was £1,054,735. Two dividends totalling £913,036, or 12s. 6d. per share, being a decrease of 2s. 3d. per share, were declared. Capital expenditure absorbed £123,617, and the balance carried forward was £376,948.

Development footage on Black Reef totalled 17,542 feet, and of the 11,390 feet on reef and sampled, 2,450 feet, or 22 per cent, was payable, averaging 3.5 dwt over 62 inches.

The ore reserve recalculated as at December 31, 1952, showed a decrease of 400,000 tons to 3,100,000 tons. The value remained unchanged at 3.40 dwt, whilst the estimated stoping width at 52 inches was 1 inch more.

During the first quarter of 1953 the ore milled amounted to 293,000 tons and the working profit was £97,481. Additional income from premium gold sales amounted to £14,380. Development work on Black Reef totalled 3,603 feet, of which 3,290 feet were on reef and sampled, disclosing 820 feet, or 25 per cent, payable, averaging 2.6 dwt over 77 inches.

The chairman referred with deep regret to the recent death of Sir Robert Kotze, who had been a director of the company since 1927.

The report and accounts were adopted, and the retiring directors, Messrs T. P. Stratten and J. S. Walker, were re-elected. As the necessary representation of capital to pass the special resolution amending the articles of association of the company was not present, the meeting was adjourned until May 26, 1953, at 11.15 a.m.

EAST GEDULD MINES, LIMITED

MR P. M. ANDERSON'S SPEECH

Mr P. M. Anderson, the chairman of the company, in addressing members at the annual general meeting held at Johannesburg on May 19, 1953, said that the average price received by the company for the whole output of gold during the year under review was 255s. per oz fine, or 5s. 8d. less than in 1951.

He stated that the tonnage milled in 1952 at 1,725,000 tons was slightly less than in 1951 owing to the shortage of native labour, and as the yield was unchanged at 6 dwt per ton the output at 517,544 oz showed a small decrease. As a result of this and the lower price received for gold, the working revenue at £6,616,635 was lower by £194,494 than in 1951. Working costs rose by 1s. 9d. per ton milled and absorbed £2,342,282, so that the working profit at £4,274,353 was £329,760 less than in 1951.

Provision for taxation amounted to £2,313,720, and after taking into account income from investments amounting to £71,068, and the other items detailed in the profit and loss account, the net profit was £2,029,231. Dividends totalling £1,837,500, or 4s. 1d. per unit of stock, were declared, being 3d. per unit less than in 1951. Capital expenditure absorbed £140,381 and the carry forward was £573,494.

The total development footage driven at 14,674 feet was 1,352 feet more than in 1951. On the Main Reef Horizon 11,526 feet were accomplished, of which 7,535 feet were on reef and sampled, disclosing 3,780 feet or 50 per cent, payable with an average value of 8 dwt over 23 in. 3,148 feet were accomplished on the Kimberley Reef Horizon, but of the 2,675, feet on reef and sampled only 175 feet proved payable.

The recalculated ore reserve decreased by 400,000 tons to 12 million tons, the value and estimated stoping width remaining unchanged at 5.7 dwt and 51 inches respectively.

During the first quarter of 1953 the ore milled amounted to 400,000 tons and the working profit was £888,321. Premium gold sales brought in an additional £33,531. Development work on Main Reef totalled 1,463 feet of which 790 feet were sampled disclosing 480 feet, or 61 per cent, payable averaging 8.2 dwt over 28 inches. Of the 1,095 feet accomplished on the Kimberley Reefs, 790 feet were sampled disclosing 130 feet, or 16 per cent, payable averaging 4 dwt over 43 inches.

The chairman referred with deep regret to the recent death of Sir Robert Kotze, who had been a director of the company for twenty-six years.

The report and accounts were adopted and the retiring directors, Messrs P. M. Anderson and J. S. Walker, were re-elected. The special resolution amending the Articles of Association in regard to the length of notice of meetings was passed unanimously.

H.P. SAUCE LIMITED

RECORD TURNOVER

The twenty-eighth annual general meeting of H.P. Sauce, Limited, was held on Wednesday, May 27, 1953, at the Queen's Hotel, Birmingham; Sir Patrick Hannon, the chairman, presided, and in the course of his speech, said: "I am proud to report that the popularity of our products is such that notwithstanding intensified competition, accompanied at the same time by some measure of business recession, the turnover of both the parent company and the group reached record totals.

In contrast with proximate preceding years, 1952 was marked by a full return to competitive conditions, both at home and abroad, occasioned largely by the greater availability of a larger variety of consumer goods and more discriminate purchasing. Operative costs fluctuated during the year within moderate limits, but the net increase was borne without occasioning any increase in selling prices, so that in common with the recent experience of most companies in most industries, the percentage of profit margin showed a small decrease.

The net effect may be judged from an examination of the consolidated profit and loss account, which shows an increase in the trading profit before taxation of £6,225. The actual figures are: in 1951, £992,205; and in 1952, £998,430. An outstanding feature of the consolidated profit and loss account is the charge of £652,626 for United Kingdom, Dominion and foreign taxation, compared with £632,022 for 1951. This represents over 65% of the gross trading profit, the increase of £20,000 being mainly due to the imposition of excess profits levy, to which I called attention in my speech to stockholders last year. The accounts under review do not give effect to the announced taxation remission, which will amount to approximately £16,000, but in my formal submission to stockholders, I shall ask you to approve the payment of the final dividend after deduction of 9s. in the £, which will have the effect of increasing the net dividend to stockholders by £6,500, and increasing retained profits by the balance of £9,500.

The burden of taxation which the H.P. Sauce group has had to carry is wholly responsible for the reduction in net profit as represented in our accounts. The net profit figure for 1951 was £252,908, and £236,980 in 1952. I submit, therefore, with full confidence, that apart from the provision for tax, the result of the year will be regarded with satisfaction.

All the subsidiary companies show increased turnover with the exception of the Albion Bottle Company Limited, which in common with all glass container manufacturers, has experienced a recession in demand, with the result that a reduction in profits compared with the exceptional figures of the preceding year has been recorded.

The world-wide reputation of Lea and Perrins Limited has been fully upheld by the increased turnover and profits last year.

Lea and Perrins Inc. has maintained in the United States the full measure of our long-established prestige and abiding quality. Turnover has been enlarged, but net profits, owing to heavy taxation in the USA, have been slightly lower.

Norfolk Canneries Limited has had a satisfactory year, the expectations entertained

when the company was acquired having been fully realised.

During the year we experienced a gratifying increase in the sales of Lea and Perrins and H.P. Sauce in Canada, where Messrs E. D. Smith and Sons continue to handle the manufacture and distribution with characteristic energy and enterprise.

I should like to call particular attention to the development of our export trade; notwithstanding restrictions of import licences and the difficulties of access to overseas markets, we show a new record for 1952.

The recommendations of the board to stockholders comprise the maintenance of the dividend on ordinary stock at the same rate as last year, and the retention of reserves of £49,912 in the parent company, and £47,590 in subsidiary companies.

The report and accounts were adopted and the retiring directors, Lt. Colonel C. F. D. Perrins and Sir Patrick Hannon, were re-elected.

ROCK INVESTMENT COMPANY, LIMITED

DIVIDENDS RESUMED

The thirty-fourth annual general meeting of this company was held on May 22nd in London, Mr C. W. Black, JP, MP, FRICS, FAI, the chairman, presiding.

The following is an extract from his circulated statement:

During 1952 further substantial progress has been made in rebuilding the fortunes of your company. The last distribution on the stock of the company was a dividend of 1 per cent less income tax in 1928, so that for twenty-five years the stockholders have been without a return from their investments. The re-establishment of our fortunes has been brought to such a state as to justify dividend recommendation. Therefore your directors recommend a resumption of dividends with a distribution of 2 per cent less income tax.

Various properties owned by investment companies in the group and other investments have been sold during the year.

The progressive relaxation in building restrictions which is taking place should prove much to our advantage. In certain of the companies now owned there are substantial shop sites which were acquired in or before 1939 and have remained undeveloped for about 14 years. As a result a considerable amount of capital has been locked up on which virtually no income has been received. These sites are ripe for immediate and profitable development, and we are now finding it easier to obtain building licences. We are already engaged in the erection of a parade of 15 shops and upper parts, nearly all of which are let on long leases at satisfactory rents. We anticipate an early start in building upon the other sites.

The report was adopted.

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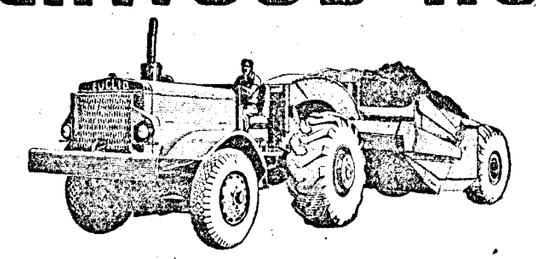
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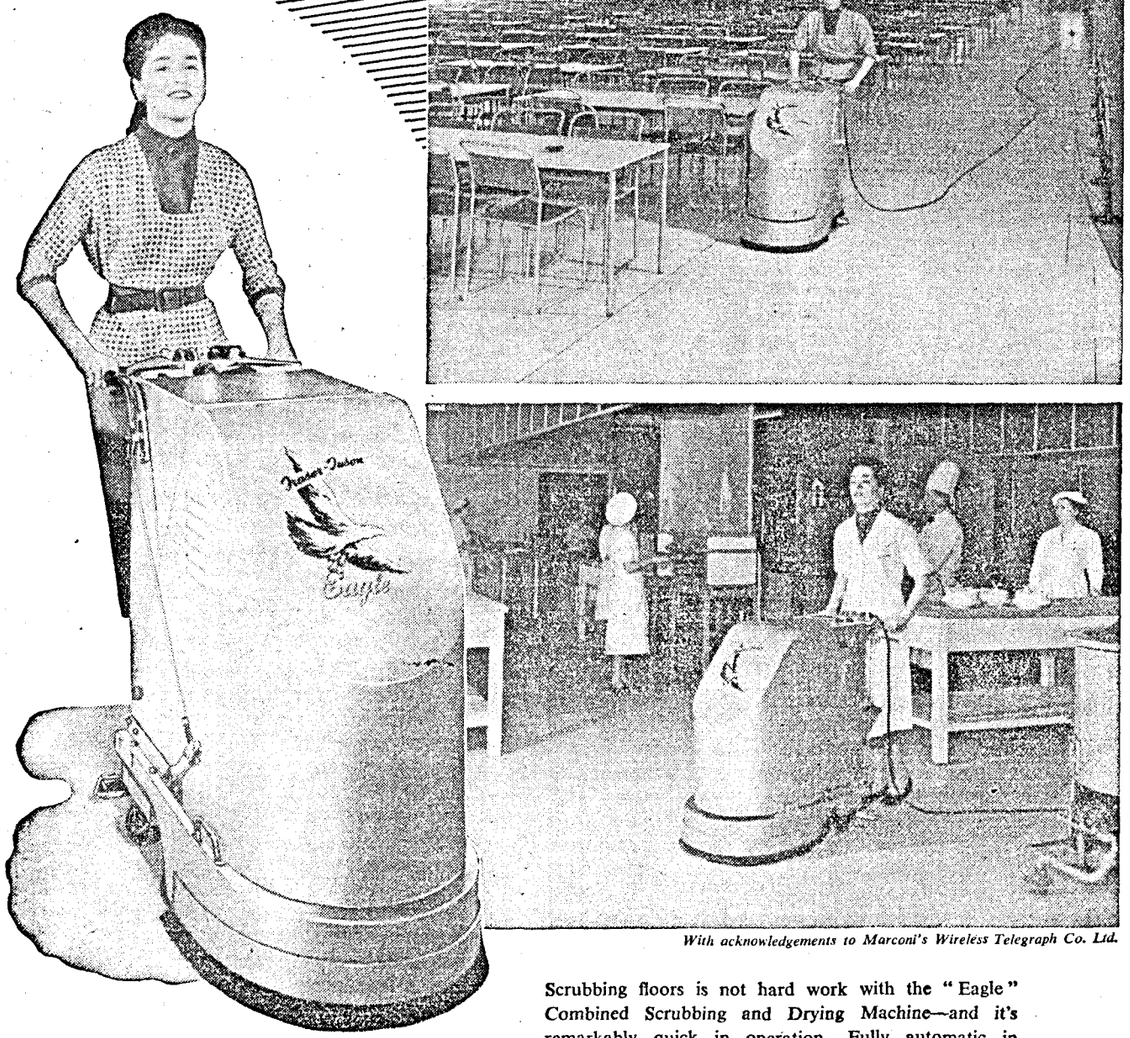
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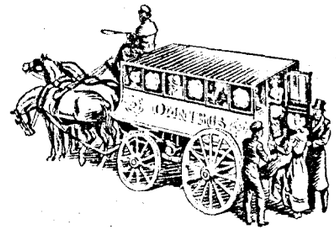
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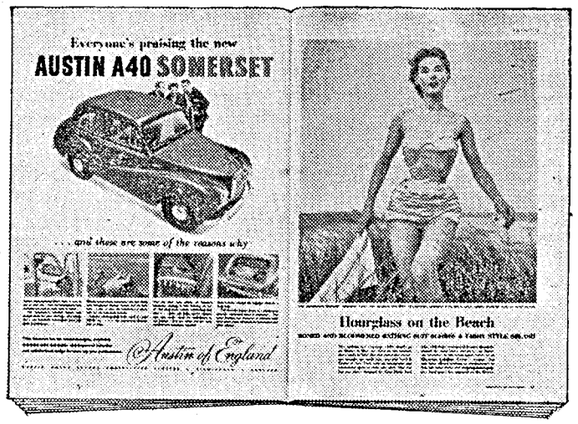
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The Economist

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Recessional

FOR a dazzling week, London has seemed to be the capital of the world. What other occasion than the crowning of a British monarch could bring together from the ends of the earth people of every race and every creed, of every colour and every culture—Gurkha soldiers, sheikhs from Trucial Oman, warriors from the Solomon Islands, Red Indian chiefs, African emirs, Sudanese tribesmen, all to mix with their feathers and turbans and robes and saris in the vast metropolitan crowds? Nor is the impression they have helped to make of London's universality simply a matter of physical presence. The Coronation has filled the imagination of all America and most of Europe. It is as though the Queen were not only a symbol of unity for her own peoples, but a wider symbol of community between free peoples everywhere. No trick of publicity could have created a world-wide explosion of absorbed interest if profound human emotions were not at work. Let London, then, accept its honour and enjoy its role. For a week, it has been the capital city of the free.

But now decorations, floodlights, bonfires and parades will soon be memories. And what will be left behind after the most glorious festival this century has seen? The question is not a frivolous one. London and indeed all Britain have received a tremendous psychological stimulus, but one that could work for evil as well as for good. To be the centre of the world's attention and to receive the homage of so many nations could give just the extra margin of pride, confidence and effort needed to set in motion the much-heralded but still awaited new Elizabethan age.

But equally, the preoccupation with a British occasion of so many millions could confirm the most dangerous trend in postwar Britain—the tendency to look inwards, to concentrate upon London's problems from a London point of view, to indulge in maladive self-attention, to sit brooding with introverted hypochondriac eye upon the disorder of the British body economic. If the magnificence of the Coronation serves only to increase Britain's instinctive turning in upon itself, if the sincerity of the world's interest is mistaken for a willingness to treat Britain as a permanent pensioner, then the new Elizabethan age will never dawn.

In the midst of the triumphs of these days, when prime ministers from the four corners of the earth ride in procession before their Queen and the rulers and flags and regiments of a score of Commonwealth countries join in the general homage, it is hard to remember what a testing time must lie ahead for these nations linked together by the headship of the Queen. The first phase of Empire has long since passed; given the desire to trade and the power to back the trader, that first phase of acquisition did not impose any too great strain. The second phase—the transformation from a centrally controlled empire to a commonwealth of independent states—is all but over; and where it still has stages to run, their goal is decisively set. This phase, too, given benevolent realism at the centre and vigour at the

circumference, has not in most places presented impossible tasks to statesmanship. But the third phase has opened—the phase in which, with links only of common interest and common sentiment, the infinitely variegated community of the Queen's peoples has to be held together over the years. The difficulties of this phase are really daunting, just as driving a coach and six needs infinitely more skill than hacking on a single horse. Nor, in this case, can the shafts and reins be made of anything heavier than spun silk. In this crowning but most arduous phase, the mood and skill of Britain will be decisive.

There is no other possible centre of co-ordination. No other conductor is conceivable to the great orchestra of independent realms and races. If the initiative for Commonwealth policies is not taken regularly in London, it can only come most fitfully from anywhere else. It follows that the first requirement is for this island realm itself to recover some of the imaginative vigour that has been missing in these recent years, to awake from what to many people has seemed to be a stupor of spiritual exhaustion. Unless there is a re-invigoration, a recapture of initiative here at home, at the centre, there cannot in any real sense be a Commonwealth of nations throughout the world associated with the British name.

But island vigour, though essential, is not by itself sufficient. If it implied an attempt to return towards domination of the Commonwealth from London, it would destroy more than it fostered. With initiative there must go a sensitive imagination. There is a world of difference between imaginative initiative and intervention. Imagination implies the capacity to see Commonwealth interests from a wider than a purely British angle, it implies a constant readiness to go out and consult with Commonwealth colleagues, it implies a steadiness of interest in their problems and a sustained effort to relate them to the general picture of the Commonwealth. In concrete terms, it implies that British politicians must not always expect their Commonwealth colleagues to come to London to discuss their problems. It implies conferences that are held not only in London but in other Commonwealth capitals; it implies regarding the office of Secretary of State for Commonwealth Relations as something more than a convenience of Westminster politics; it requires a radical reconsideration of the role of the civil service in Commonwealth relations. And since it cannot be expected that Westminster and Whitehall will adjust themselves to the needs of the Elizabethan Commonwealth without some movement in public opinion, the new phase that is opening requires greater interest by the people of this island in the world-wide community of which they are at present the surprisingly indifferent core. A people aware of their kinship with the associated realms will not grudge their Queen to them or stand in the way of those longer royal "progresses" through the Commonwealth and even those periods of royal residence in other dominions which will surely become the strongest link of Commonwealth sentiment in the years to come.

A Commonwealth always remarkable for its flexibility is now to be put to its most trying test. Of success or failure, only one certain thing can be said today. Achievement depends first of all upon a sloughing off of the recent mood of introspection and self-concern. There will be no imagination without interest, no generosity without the desire to know and learn. If the Coronation has stirred in British minds the sense of how wide is the community to which they belong, the first necessary movement of imagination may be very near. But if London's festivities have only anchored it more firmly in self-interest and self-absorption, then, however magnificent, however moving, this week's pageant of Commonwealth may be the last of its kind.

Temptations of Taftism

SENATOR TAFT, for all his sincerity and periodic good sense, is becoming the Mephistopheles of the Atlantic alliance. When he and his friends speak with such appalling frankness of how much better American policy would work if the United States could "go it alone," they raise echoes not only among their own people but in almost every nation of the free world. There are Taftites everywhere: French Taftites who believe in a strong France and an understanding with Russia, or resign themselves to a weak France and neutrality towards Russia; German Taftites who believe that Germans, left to themselves, could reunite their country and make their own terms with Moscow; Scandinavian Taftites who see security in a neutral bloc of their own; British Taftites who say—even if they do not entirely believe—that Britain in the Commonwealth can stand alone as a world power and snap its fingers at Congress and the dollar gap. They are, like butterflies, creatures of spring and summer; when the sun shines from Moscow they dart and hover gracefully in all directions, tempting the bored and the discontented to pursue them. When it is winter in Moscow they are forgotten.

The power of the Senator outside his own country lies in the lead that he can give to thinking that looks, on the surface, courageous and realistic but is in fact defeatist and sentimental. The United Nations, he said a week ago in Cincinnati, does not in fact prevent aggression. Such strength as the free world possessed was embodied in Nato, an old-fashioned military alliance which had the defect of involving American infantry in the defence of Europe. If negotiations for a truce in Korea failed, "then let England and our other allies know that we are withdrawing from all further peace negotiations in Korea." It was foolish of the Americans to attempt to fight the Russians or the Chinese on the continent; that kind of defence was a job for allies. Asians should fight Asians, Europeans should resist Europeans, and Americans should be content with their bombers, their carriers and their Marines. In each of these ideas there is something tempting—the temptation of a quick and easy way to national independence and security, the illusion that western governments could have freedom of choice to negotiate or arm or to do business independently of one another. It is a temptation that Stalin's successors, by a few deft gestures, have enhanced to the point where it seems to have attractions even for the British Prime Minister.

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It is natural that the Republicans, impatient with the costly deadlock in Korea and impatient with the restraints and advice imposed on them by America's alliances, should attack the policies of their predecessors and the commitments they entered into. It is natural, too, that they should ask how long those Democratic policies must be maintained and to what final solution they lead. Yet, the fact that stands out in the present situation is that so much of what was done by Mr Marshall and Mr Acheson was right and successful. They planned to get strength from which to negotiate; they set up deterrents to aggression far more powerful than anything the United Nations could provide; they worked patiently, stubbornly and coolly to frustrate the main aim of Soviet policy which is, and always will be, to keep the free world divided.

It is forgotten now how dangerous that policy seemed at the time to so many people, who warned Mr Acheson that by proposing German rearmament, by bringing Turkey into Nato, by limiting east-west trade, he was merely provoking the Russians into attack. And it is also overlooked now that the gestures from Moscow that followed Stalin's death—actions which suggest a certain nervousness in the Kremlin, if not actual fear—are as much the effect of the western counter-offensive in the cold war as of events in the Soviet Union which we can only half understand. Is it merely coincidence that these gestures were made as power changed hands in Washington, as the moves towards west European integration approached their climax, as the full burden of rearmament by the West was revealing itself? And is it mere chance that Stalin, in the last months of his life, saw the Communist parties of western Europe in disarray, collective security against aggression working as it has never worked before, and the satellites of eastern Europe clearly suffering far more than the allies of western Europe from the restriction of trade in vital raw materials and capital equipment?

It is impossible to believe that Senator Taft and his friends do not understand or do not know these facts, or that they have forgotten the part played by their late colleague Senator Vandenberg in bringing them about. Likewise it is impossible to believe that men like General de Gaulle, the French Socialist leaders, the German neutralists and the men around Mr Aneurin Bevan are ignorant or stupid. It may be in their political interest to decry the successful Bevin-Acheson policies, but there is a limit beyond which they cannot fly in the face of the facts. If they find it pays to echo, each group in its own way, the temptations of Taftism, then it is because there are in each nation interests, motives, aspirations which have not yet accepted the closeness and permanence of the Atlantic alliance. The American isolationist has his counterpart in the French nationalist; the German nationalist has his counterpart on the back benches of the Conservative and Labour parties. All refuse to admit that the central problem of international politics has changed and that security—and prosperity, too—henceforth lies in the working of regional groups which demand from each national government some restraint on its freedom to do what it likes. The European who resents what he calls American domination is in very much the same mood as the American who resents what he calls the timidity and caution of his country's allies. He is attracted to nationalism because he finds the price of internationalism higher than he had bargained for; having accepted the protection of the Atlantic Community because he felt frightened, he wants to contract out of its obligations now that he feels less frightened.

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In the past these crises of misunderstanding have been overcome—by the voice of reason in the United States, by frank argument in the House of Commons, by the sheer pertinacity of a Schuman or an Adenauer and, above all, by the stubborn unfriendliness of Stalin. Now it is less certain that these antidotes will work. The voice of reason has been slow to make itself heard in Washington; Sir Winston Churchill has taken up an attitude which suggests, even if it does not in fact mean, that he might, if the worst came to the worst, "go it alone"; M. Schuman is out of the arena and Dr Adenauer has done, for the moment, all that he can do. And in Moscow there is an obvious resolve to be conciliatory on those matters that might divide the allies, and to be stubborn on those matters in which they have clear common interests. The state of the alliance is critical and nothing that has happened in these last hopeful weeks should be allowed to obscure the fact.

Yet if one thing is certain, it is that this same alliance is and must be the sheet anchor of policy in every one of its members—and that everybody knows it. Even in the United States, where the absurdity of going it alone is not self-evident, the voice of reason has had no very great difficulty, at each reprise of the great debate, in deciding the issue in favour of the policy of co-operation. And if this is so in America, how infinitely much more so is it among the European members of the

alliance. Those who play with the notion of going it alone do so only in what they believe to be the security that they will not be called upon to do so. If Britain were ever left in reality to go it alone, everybody in the whole spectrum of politics, save only the pacifists and the Communists, would be desperately frightened. Nobody wants 1940 back again.

Is it not therefore time to insist that everybody should pay a small price in verbal currency for the immense, the incomparable boon that the alliance represents? This is not to suggest that anybody should suppress his genuine feelings, but that he should try to relate them to the main object of foreign policy, which is to maintain the alliance. Let there be no less bluntness in pointing out how others are endangering the alliance, but a little more thought on what we could do to sustain it. It is, for example, very easy to point out the stupidities, the blindness, the selfishness of Senator Taft's views—and let that by all means be done. But let there also be an effort to understand why he seems to so many Americans to be right, and instead of exacerbating the differences that make his appeal dangerous, to think what could be done to reduce them. This is not a moment for Americans to concentrate on telling other Americans how stupid the British are; or for the British to vie in finding methods of ridiculing the views of Congress. It is a moment for remembering the real risk that we shall all hang separately.

There will be those who think such an attitude is mere moral cowardice. There will be those who will call it sacrifice of principle to refrain from shouting their own particular views from the house tops. There will be those who think it their duty to accuse the British of wanting to lose the cold war or the Americans of wanting to start the hot. All these, in democracies, are within their rights. The point is whether they are wise to exercise their right of mutual abuse. Let them, one and all, in every country, stop to ask themselves one question: in what form can the free nations hope in the future to co-exist peacefully and safely with the Russian-Chinese bloc, powerful already and growing more powerful each year ahead? It is not a matter of tiding over five or ten years, but of finding the means of co-operation imposed by the prospects of the next half-century. The surest way to disarm Senator Taft is not to try to shout him down but to try to understand him. That is by far the more difficult task of the two. But it is likely to be the more effective.

Dr Adenauer and the Parties

CAMPAIGNING has now begun in the German Federal Republic for the momentous general election that is to be held next September. The election is the first since the Federal Republic was established in 1949, and will decide whether the course set by Dr Adenauer and his Minister of Economics, Dr Erhard, is to be pursued. For four years, Dr Adenauer has governed in the knowledge that he could not be unseated, owing to the provisions of the temporary constitution framed in 1949. It may, or may not, in future be desirable for a German Chancellor to have this security of office; but in the hands of Dr Adenauer it has certainly proved a blessing for Europe. He has used it in a determined effort to change the whole trend of Germany's development from a nationalist, predatory, eastward-looking power, dominated by Prussia, and without a real friend in the world, into a firm base for a free, federated Western Europe. The division of Germany gave Dr Adenauer the chance to use his power in this direction; but four years are too short a time to accomplish so great a mission.

What are the chances that Dr Adenauer's Christian-Democratic party will be given another four years' mandate? One factor is still uncertain. This is the new electoral law, which has been drafted by the government but not yet passed by the Bundestag; it is, therefore, not yet clear how far the scales are, in the fashion now current all over the Continent, to be weighted in favour of the present coalition. It is, however, already certain that the parties of the present government—Christian-Democrats, Free Democrats and *Deutsche Partei*—will not enter the elections on a combined list. It is not, therefore, a foregone conclusion that the Christian-Democrats, if they again emerge as the strongest party, will look to their present partners to join them in the government. There are, indeed, many politicians who would prefer to see a bargain struck between the Christian-Democrats and the Socialists, even though the price would be disastrously high, namely, Dr Adenauer's retirement and an opposition conducted by extremists.

As the big parties enter the campaign, it can be seen that they are divided on two broad issues. These are the conflict between free enterprise and socialism (in which, in its German version, must be

DIVISION OF SEATS IN THE BUNDESTAG

Christian-Democratic Union and Christian Social Union	151*
Free Democratic Party	55*
Deutsche Partei	25
Total Government seats	231
Social Democratic Party	139†
Federal Union (including Centre Party)	21
Communist Party	14
Independents	16
Total seats	421

* Including 5 from Berlin.
† Including 9 from Berlin.

incorporated the trade unions' claims to equal management of the country's private and public enterprises); and the dispute over the treaties setting up the European Defence Community, reshaping Western Germany's relations with the occupation powers, and creating the Coal-Steel community. On a mass of other questions, the main electoral programmes vary only in emphasis. All the parties are anxious to attract the votes of former Nazis, though without being branded as ultra-nationalist. The *Deutsche Partei* takes the lead on the right, championing former Nazi party members, and the Social-Democrats are to the left on these matters; but the moral leadership rests with the Christian-Democrats under the strong religious influence of Dr Adenauer.

In economic and social issues, the predominantly Catholic Christian-Democrats stand in the centre between the fiercely anti-socialist Free Democrats and the Socialists. The philosophy of the Christian-Democrats tends towards partnership between capital and labour, and they have sponsored a proposal for part-ownership by the workers in the firms that employ them, with the double purpose of providing an alternative to the trade unions' demands and also, by a wide dispersion of share holdings, of undermining the socialist doctrine that all private industrial property is wicked. The Christian-Democrats have a left wing which is not opposed to a form of public ownership for basic industries. In action, however, the Government of which the Christian-Democrats are the senior partner has championed private enterprise and restricted the economic power of the state to the minimum. In this it sees eye to eye with its coalition partners, the Free Democrats.

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The Social-Democrats, in deference to the general unpopularity of State control, have watered down their programme of nationalisation, which now includes only the basic industries. The party is no longer Marxist, but attempts to appeal to the middle-class and to the craftsmen as well as to the workers. It supports a planned economy with State direction of investment, and at the same time promises that self-financing by business enterprises will be encouraged. Its hostile attitude to dividends and shareholders brings it into direct opposition to the current effort to raise capital in the public market. It advocates full employment, together with increased expenditure on housing and relief to all and sundry. The mixture is the familiar one of most pre-election Socialist programmes and suggests that a Social-Democrat government in Germany would be better suited to a period of depression than to the present comparative prosperity. Whatever happens in the elections after next, the Socialists will in the coming campaign be handicapped by the fact that the country has made its astonishing recovery, and workers are earning higher real wages than before the war, under the system of free enterprise and international liberalism created by the present government.

On the issue of the European treaties, the picture is somewhat confused by the fact that the term "united Europe" is good form in Germany today, and is used by everyone, from genuine western federalists to neo-Nazis. But it can be said that only the Christian-Democrat Party is a really firm and explicit advocate of the present European treaties as a series of practical and realistic steps towards western European federation. From the start these treaties have had their strongest support in Bonn, and the Federal Minister of Economics, Dr Erhard, is now maintaining the German lead by pressing for a fully free market in all west European goods, together with co-ordinated fiscal policies and convertibility of currencies. Though Dr Adenauer's party is the main champion of a United Europe within the coalition, the fact should not be under-estimated that individual leaders among their partners are also forthright in the belief that Germany—West Germany first and all Germany later—must be integrated with the West.

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The Free Democratic Party is in the throes of a struggle between its liberal, internationalist wing, led by its chairman and Federal Vice-Chancellor, Herr Blücher, and the nationalist group in North Rhine-Westphalia, which has continued to argue that a political home must be offered to former Nazis, even after the exposure by the British of the ways in which the former head of Dr Goebbels's Ministry, Naumann, and his associates, were infiltrating the party. A conference of the party will shortly decide whether the nationalist "German programme" of the right wing, which contains no reference to west European federation, shall be adopted for the elections, in place of the much more liberal programme sponsored by the branches in Hamburg and South Germany. The chance of defeat for the nationalist section has grown since evidence has convinced the Minister of Justice (who is a member of the party) that the Naumann circle were indeed dangerous company for a democratic party to keep.

The *Deutsche Partei*, the third and smallest of the present coalition government, is, by and large, more nationalist in outlook than the Free Democrats as a whole (as distinct from their right wing). It has many former Nazis in its ranks and demands an end to all discrimination against those of them who support the present state. Recently, it led the way in claiming the "right to the homeland" of refugees from the former German territories, including East Prussia and the Sudetenland. Though saving phrases about "united Europe" are thrown in to such claims, there can be no doubt about the strong revisionist spirit inside the *Deutsche Partei*. It has adopted the black, white and red colours of Imperial Germany, and might some day assume the mantle of Hugenberg's *Deutsch-Nationale Partei*, which, by concluding a pact with the Nazis, paved the way for Hitler to seize power.

The Social-Democrats proved themselves in the 1949 elections to be the second largest party. Since the death of its implacable leader, Dr Schumacher, the

party has mellowed in its internal policy and still more in the language it holds. But the party programme still declares uncompromising opposition to the Western treaties and to the Coal-Steel Community, on the grounds that they discriminate against Germany and stand in the way of the country's reunification. The party also attacks the government for its weakness in the Saar question, arguing that any arrangement with France compromises Germany's claim to the lost lands east of the Oder-Neisse line. Though the SPD has adopted this strongly patriotic party line, two points need to be stressed about the German Socialists. They stand staunchly for a democracy of a western type, and for all their emphasis on German reunion (by which, incidentally, they stand to gain as a party) they will never accept a Soviet offer of reunion that does not give a complete guarantee of free elections. The Socialists remain, as always, the Communists' most hated and formidable enemy. Furthermore, the present Social Democratic party does not reject in principle either the rearmament of Germany or a west European federation. It proposes as an alternative that Germany should take part in a general, loose system of collective security and political collaboration, including Britain and the Scandinavian countries. Fearful of too strongly Catholic and Conservative influences, the Social Democrats denounce the "Little Europe" of Dr Adenauer, Signor de Gasperi and—when he was in office—of M. Schuman. If their statements mean what they seem to imply, the Socialists, if in power, would work for German unity first, and secondly for a German national army inside an enlarged Brussels pact. Dr Adenauer's vision of a new age of Franco-German collaboration would fade, perhaps for ever.

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In 1949, the coalition parties and the Socialists had the field to themselves. Since then, the so-called Refugee party, now named the All-German bloc, has risen in prominence, and is now in a position to make terms for supporting either the Socialists or the Christian-Democrats in the next Federal government. Dr Adenauer secured the votes of this party for the European treaties, but its policy must be regarded with misgiving. Any future government that has to rely on its votes will probably be committed to press Germany's claims for the return of the Oder-Neisse territories.

The numerous small parties are not likely to attract much support in the September poll. This applies to the Communists, who still demand somewhat forlornly mass action to overthrow the Bonn regime, and may be banned in consequence. It applies still more to the "National Rally" formed by an elderly ex-Chancellor, Dr Wirth. Despite its weakness, this rally has the blessing of the Soviet German government. More dangerous to the cause of the European Defence Community, because it denounces both Eastern and Western German rearmament, is the neutralist party led by a Herr Heinemann, who holds high office in the Evangelical Church, and by Frau Wessel, a former leader of the small Centre party. The Heinemann-Wessel party has sufficient support to have attracted Communist denunciation for splitting the ranks of the opponents of the European Defence Community.

On the whole, it will be seen, the coalition parties form a very powerful force in support of the European treaties. Moreover, the chances for a government victory are enhanced by comparative prosperity and the Germans' habit of voting for a regime in power, as long as it shows itself to be strong. Dr Adenauer's personal prestige has grown since his recent visit to the United States. Instead of being regarded by many as a satellite of the victors, the Chancellor is now seen to be a national leader who has restored the status of the Federal Republic. It is increasingly realised that, with an army, inside or outside a European force, Germany will be able to play a still more important role in world affairs. Former critics of the Chancellor who prophesied that ratification of the treaties by Germany might well bring a Russian attack have been silenced by the fact that Soviets were more conciliatory after the ratification than before. With a modicum of conciliation from the French on the question of the Saar, it is therefore likely that Dr Adenauer would be given another four years in which to turn the course of German history to the benefit of the world.

Rumours of War

Now, menacing as is the aspect of affairs in the East, we do not expect the peace to be broken, if Turkey is firm, and if her allies are prompt, decisive, and united in their action;—since it is the characteristic of Russian diplomacy to be as pliant as it is encroaching, and always to recede before a resolute front and an enterprise of doubtful and hazardous result. Russia never abandons a design, but is always ready to postpone it, if need be, till a more convenient season; she is as patient as she is pertinacious; and will never risk her plum by endeavouring to gather it before it is ripe. The question, therefore, whether she will now persist in her demands, will depend entirely on the nature and degree of the resistance she may meet with: this resistance will be measured by the unbending determination and bold attitude which the Sultan may display; and this, again, will in the main depend upon the cordial and united aid on which he may be authorised to rely from France and England. . . . But this is not the only dispute which threatens to disturb the tranquillity of Europe. The insolent and overbearing conduct of Austria to Piedmont and to Switzerland has led to a withdrawal of Ambassadors and a cessation of diplomatic intercourse with both those states. She has long been seeking an occasion of quarrel, and at length seems resolved to make it. . . . Both in the East and in the West, then, a case has arisen to test—prospectively at least—the fidelity of England and France to their several engagements, their power of sincere and cordial co-operation, and the courage, vigour, and capacity of their respective Governments.

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Citizens of Colour

THE presence of so many visitors from Commonwealth countries at this time is a reminder that the Commonwealth is in no small degree the product of interchanges of peoples; migration is not, and should not be, a one-way traffic. Britain has always been a country of settlement as well as of emigration. This inter-weaving continues, but there is now a conspicuous new thread in the pattern: in many big provincial cities, as well as in the seaports, there have recently grown up coloured communities, mainly of West Indian and West African origin.

In the past Britain has absorbed immigrants mainly in the top or middle strata of society. Not to be fanciful about Normans or Huguenots, it is still true to say that Canadians, South Africans, Australians, and even Americans who have taken up permanent residence here have come because Britain offers economic opportunities for administrative, commercial, artistic, scientific and professional talent, in precisely the way that the countries of overseas settlement offered opportunities for personal betterment to British farmers or artisans. This is partially true even of the settlers who have come here from the Asian members of the Commonwealth; there are over a thousand Indian doctors, for example, on the British medical register.

With West Indians and Africans the case is quite different. Apart from students, whose sojourn is short, they are drawn by the standard of living offered at working-class level. It is true that many have been misled by false ideas about the ease of getting high pay, and that a sense of disappointment pervades many coloured communities. But even when employment is chancy the standard of welfare is superior to anything experienced in their own countries; unemployment assistance is often better than a job at home.

Before the war, small coloured communities were well established in such ports as Cardiff, and their offspring had reached the third generation. They increased slowly by immigration and by marriage with British women. They were poor, especially subject to unemployment, concentrated in single slum districts, and attached to the seagoing community. In the war, however, there were jobs for all, and coloured troops from the colonies received a vivid if fallacious picture of British working-class comfort and security. After the war, settlers began to arrive on the strength of the reports thus widely spread; in conditions of overfull employment, they got fairly good jobs at good pay. In other ways they met discouragement, but inflation in Britain and the growth of floating populations in the colonies produced the conditions for a steady flow. The number of fare-paying passengers has been about 2,000 to 2,500 a year, supplemented by some hundreds of stowaways and of seamen taking their discharge in Britain.

The fare from the West Indies is £70 to £100, so that immigrants have not come, in the main, from the poorest and least literate class. Many West Indians put their capital into the enterprise. Some stowaways are illiterates from West Africa who find it hard to adjust themselves to British life and have scant command of the language. But to balance them, there are many West Africans who were originally sent by relatives or tribal authorities as "students," but whose money has run out, or who find academic standards in Britain beyond their powers; they stay and work rather than face their sponsors again without a certificate or diploma to show for the money spent on them.

All, however, share the experience of disappointment: the unofficial "students" at the hands of universities or technical colleges, the illiterates from unfamiliar surroundings, the fare-paying passengers from lack of skilled jobs. Virtually all have to come down to unskilled and often casual work, because even if they call themselves carpenters or joiners at home, their apprenticeship and qualifications are not such as any British craft union would recognise. Most join the Transport and General Workers' Union.

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The employment exchanges have certainly been indefatigable in their interests. The railways have taken them as porters and track maintenance gangers; the post office has taken some as postmen. Private employers vary in their attitude, but many have been induced to try coloured workers and found them satisfactory. They work well alongside white workers, though most employers prefer to keep them in the minority; as their number rises, jealousy begins to manifest itself. The work available to them remains relatively unskilled, and few have proved capable of benefiting from training. Labour exchanges note the greater readiness of coloured workers to change employers; their preference is for an easy-going, casual existence.

It might be thought that Britain, with a tendency to be short of manpower (and to export it), should find this source of labour welcome. But in fact there is no shortage of unskilled labour. It is skilled labour, or semi-skilled labour which requires a period of training, that is in demand. To meet these shortages—where local unions permit—European immigrants who are, or can be, trained are far more suitable, and, as aliens, can be controlled. The coloured peoples do not meet the shortage of coal miners, of agricultural workers, or of domestic workers.

These circumstances have greatly contributed to their tendency to coalesce into distinct communities, instead of being scattered through the population and

becoming merged with it, as for example did the Irish navvies in the last century. Though they make use of all the facilities of the welfare state, especially employment exchanges and national assistance, they run their own friendly societies and other organisations. This is thought necessary because of the difficulty of getting accommodation, which indeed exists, just as colour prejudice exists; but the first is faced by many other people and the second is magnified by lively myth-mongering. But whether it is necessary or not, the upshot is that miniature "Harlems" have grown up in many big towns. They are largely run by coloured landlords, and their concentrated exoticism makes the local population increasingly aware of the frontiers of colour.

It is an unfortunate development. No distinction is made in law between British citizens. Colour is irrelevant. No obstacles are placed in the way of a colonial with a valid passport who wants to come to Britain. And communications are becoming easier. The British standard of living and welfare beckons, while population pressure at the other end encourages emigration. But social and economic circumstances then combine to produce the very conditions that the law ignores and which current social theories, as well as national traditions, strongly deprecate. Coloured workers congregate and, convinced of discrimination, practise their own *apartheid,* save for finding such marriage partners as they can. The separate coloured community stretches from the changing ranks of the students down to a criminal substratum.

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Their sense of grievance, of apartness, and of self-pity represents a serious failure by a welfare and egalitarian society to meet a challenge arising out of postwar conditions. It is particularly a failure to live up to this country's professions of political aims. It might not matter if Britain were not a colonial power. As it is, this country is involved in justifying, before the bar of world opinion, political and constitutional schemes designed to achieve, on a vast scale in Africa, inter-racial harmonies that have not been achieved in Coventry. The future of the Commonwealth is beginning to turn upon questions of race and colour, and it seems necessary for the British people to demonstrate their ability to answer those questions where their power is complete—in their own cities.

For this reason, the problem is important although it is small. Statistics are wanting because the coloured community has no separate legal existence. Officials guess that it is about 50,000, which may well be a considerable underestimate but may be measured against the postwar immigration of some 250,000 workers from European countries. These, however, can "disappear" into the landscape, visually if not always audibly, while coloured communities of 3,000 to 8,000 in cities like Cardiff or Birmingham remain conspicuous.

If there were no further recruitment, they would no doubt be absorbed in time. The children of mixed marriages today have the same educational opportunities as other children; even if their tint is perceptible, they are being put in the way of acquiring all the skills or professional trainings their immigrant parents lack. They become reasonably well equipped to look after themselves.

Immigration has, indeed, somewhat slackened since the middle of 1952. Disinflation made it so much harder for coloured people to get jobs that many wrote and discouraged their friends instead of, as in 1947, encouraging them to follow. The colonial authorities have wisely begun to warn emigrants of the difficulties when issuing passports. Some of those now travelling are, however, wives and dependants of coloured settlers who have made good; they show that coloured people sometimes can rise in the economic scale—even if, in some cases, it is by slum landlordism or less reputable means.

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In any event, immigration will not cease, even if colonial development provides more local employment. Nobody wants to see any barriers to freedom of movement in the area covered by the phrase "citizen of UK and colonies." Such barriers would merely emphasise Britain's inability to absorb a tithe of the coloured people that other multi-racial societies must deal with. If the West Indies and many African territories are to become self-governing dominions under the Crown, some interchange of people is inevitable, and indeed might do good. It is immigration to a separate and sub-standard community that is harmful. That can be prevented only by some dispersal and greater social acceptance of the coloured citizens who are already here. Education, housing and slum clearance can be instruments to this end. Trade union practice has a part to play; unions will have to resist the feeling among British workpeople that when unemployment exists "foreigners" (an elastic term) should not hang on to their jobs even on grounds of seniority. Many sensible suggestions have been put forward—notably by the Conservative Bow Group—for overcoming colour consciousness in day-to-day social intercourse. Certainly everything that can be done to train coloured people for semi-skilled jobs will help to reduce the growing impression that these people are inevitably labourers, unless they are dance band performers.

These remedies are worth pursuing by men of idealism in both political parties. They should reflect both Labour's attitude to a multiracial Commonwealth and the evolution of the new Tory imperialism. The immediate problem is to find means of reversing the social and economic spiral which concentrates lower-paid coloured workers in defined enclaves where their contacts with the white population tend to be limited to the least desirable part of it. The numbers are still small, in terms of heads and of streets, but the importance of the principle involved may be hard to overstate.

Notes of the Week

A Great Performance

CORONATION DAY was a triumph for all responsible for organising its many intricacies. In the Abbey itself, dignity combined with beauty—to the eye and the ear—to make the ceremony uniquely impressive. In the streets, the procession was most successfully administered, and the spectators were given all practicable aid. The transport arrangements appeared over-elaborate in prospect, but they in fact allowed vast crowds to assemble and disperse with less than the usual rush-hour discomfort. With the customary patient help from the police, the hordes of people lining the pavements showed good humour and tolerance under the most trying conditions. They endured many hours of intermittent drenching, and yet kept the heart to cheer lustily.

The procession with its Cinderella coach was more than a delight to the eye and an escape into fairyland. The welcome given to the colonial rulers and to the Commonwealth Prime Ministers showed that the crowd found a living significance in the ancient pageantry. And in no other coronation in history have the people taken part as they did in the coronation of Queen Elizabeth II. She made her vows to an unseen audience of millions who were following the ceremony on television; and as one splendid tableau succeeded another like a series of mediæval tapestries, the spectacle was no less moving because some of the vows are unreal for a constitutional monarch. How right it was to let television bring the nation to the Abbey; how groundless were fears that the solemnity of the occasion would be lost. The links that bind the Commonwealth cannot but be strengthened by the witnessing of this act of dedication.

No Shuffling

THE Coronation honours have not been used as a preliminary to Government changes; no one having moved to the House of Lords, Sir Winston Churchill will presumably face a reassembled Parliament on Tuesday with his team unchanged. This is, no doubt, the principle of not altering a winning combination. The last by-election and the public opinion polls provide plenty of justification, especially for a Prime Minister deeply engrossed in world affairs. But the principle, applied to governments eighteen months old, is nevertheless questionable. It presupposes that the current standing of the Government is all that matters. It ignores individual weaknesses; and it assumes that the present group of senior ministers will remain impervious to the ravages of time and ill health.

To take the lesser point first, Sir Winston's contact with both the performance of his colleagues and the opinion of Tory backbenchers must be singularly faint if he is not aware that three or four of his senior ministers and about half a dozen under-secretaries have proved unsatisfactory, either administratively or politically. This is no cause for shame. A modern government contains some ninety men and women, and in 1951 half of them were without previous ministerial experience. They have now had ample time in which to show their worth, and those who have fallen short should go or be moved down. This is by no means irrelevant to Sir Winston's international statesmanship. He has himself publicly recognised before now how much Britain's standing abroad, and therefore the influence of the Prime Minister, hinges on confidence in the government as a whole. If he wishes to pursue his diplomatic initiative to a successful conclusion he must maintain confidence not only for these summer weeks but for months ahead.

Here Mr Eden's illness is a warning. Almost all governments rest on a few senior men, and it is a Prime Minister's duty to ensure in good time that there are sufficiently experienced replacements. The initial strength of the 1945 Labour Government lay in the richly diversified quartet of Attlee, Bevin, Morrison and Cripps. When the two most creative minds were removed, the whole structure crumbled. Mr Attlee failed to nurse adequate successors, with the possible exception (eventually) of Mr Gaitskell, and today his party is still suffering for it. This was, admittedly, an extreme case; the loss of Bevin and Cripps was massive in its effect. But Sir Winston is far from free of the danger. Apart from his own gifts, he could until recently point to the abilities of Mr Eden, Mr Butler, Mr Macmillan, Sir Walter Monckton and Sir David Maxwell Fyfe. One gap has already appeared, for a period at least, and more ill health could now quickly disrupt the balance of the team. Where are the potential successors? Among the new men on the Treasury bench only Mr Iain Macleod is quite outstanding. But on the backbenches, and among the Parliamentary Secretaries for the more obscure ministries, there are promising men who should be tried in posts which can provide real tests of ability. At least one or two should prove worthy of joining a short list of first reserves, on which the future of the Government and of the Conservative party may well depend.

Korea for the South Koreans?

FEW countries could be in less of a position to "go it alone" than South Korea. For three years it has been dependent on American military support for its very existence; its shattered economy could not possibly carry

the inflated load of its present huge military forces without extensive and cohtinuing American economic aid. Politics, nevertheless, have a way of riding roughshod over even the most self-evident military and economic propositions, and the attitude of the South Korean president, Mr Syngman Rhee, has lately provoked a fresh crisis in the truce talks. He declared, as he had declared before, that he would not accept a truce without the conquest of the whole of Korea, and that he rejected the terms put forward at Panmunjom on behalf of the United Nations by the American negotiators ; he would, in particular, resist the landing in South Korea of any Communist troops from Czechoslovakia and Poland as part of the proposed international truce commission.

The intransigence of the South Korean attitude had not been taken nearly seriously enough. The free world feels that it has sacrificed so much in the Korean war that the question of bringing the war to an acceptable end had become separated from the local problems in Korea itself. But President Syngman Rhee and the other South Korean leaders have it in their power to create an exceedingly awkward situation if they refuse to accept what the allies are doing. If, as the South Korean field commander recently threatened to do, their army went on fighting after the United Nations had agreed to cease fire, the South Koreans could get into a military situation in which it would be difficult, if not impossible, not to go to their rescue. For, although they could not "go it alone" successfully, their failure would involve the whole world in its consequences.

★

This was the problem which last week caused President Eisenhower to summon a special emergency meeting of his advisers. What followed is not yet fully clear. But it would appear that, for the moment at least, Mr Syngman Rhee has responded favourably to a personal message from the American President. As a result, a further compromise plan is being worked out for presentation to the Communists ; Mr Syngman Rhee is understood to have put a curb on some of the more outspoken statements of his field commander and his prime minister ; and the possibility has been removed that even the arrival of Indian troops for the proposed international truce commission might be opposed by South Korea.

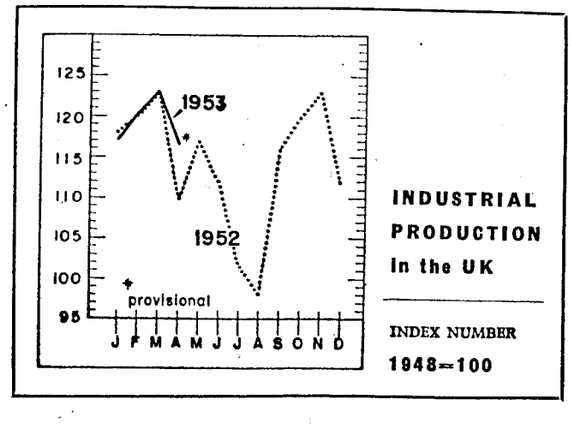
All this has played a special part in holding up progress in the armistice talks. The Communists have, no doubt, watched the serious split in allied ranks with predatory eyes and have been unwilling—on thoroughly practical grounds they might well argue—to come to an agreement with negotiators who are unable to speak for the whole UN side. Few would blame the South Koreans for their bitter determination to drive the Communists from the whole of Korea, but they must recognise the true nature of the allied effort. This terrible war has been fought only as a lesson to aggressors. If it had been allowed to remain merely a struggle between one Korean faction and another, the South Koreans would have been wiped out within a month of its outbreak. At the same time, the forceful assertion of President Syngman Rhee's views has drawn fresh attention to the gallantry of his country's own efforts, and it is a timely reminder that no truce that fails to take into account the realities of the position in Korea itself is likely to lead to a durable political settlement.

French Bevanism

If the French National Assembly had voted in the early morning hours of Thursday, it is probable that France would have woken up the next day to find itself with a neutralist government, a completely new foreign policy and a cabinet headed by the Radical leader, M. Mendès-France. The latter's speech on Wednesday presented lucidly many of the dreams and illusions that French politicians have harboured in secret. Although he did not commit himself on the question of direct negotiations with Ho Chi Minh, M. Mendès-France made it clear that he would seek an armistice in Indo-China. With respect to North Africa, the Prime Minister-designate courageously asserted that the first steps should be to restore political liberties. He has never made a secret of his views on French misrule in Tunisia and Morocco, and his words electrified the leftist benches in the Assembly. With regard to the ratification of European Defence Community treaty, M. Mendès-France spoke with cautious reserve, emphasising that his cabinet would not regard defeat on this matter as a reason for dissolving parliament ; and he demanded once again the closest possible ties with Britain in order to neutralise German strength.

On the key issue of the budget, the Radical leader urged a cut in rearmament together with a planned investment programme calculated to stimulate production and stop the increase in unemployment and underemployment. He proposed a complex and novel contract between his government and the Assembly, under the terms of which the government would be allowed to rule by financial decrees subject to specified limitations and for a given term. This would avoid the passing of laws giving a blank cheque to any subsequent government. Throughout his brilliant speech, the Prime Minister-designate tried to show that France could not hope to emerge from its present state of decline and confusion unless it gained a measure of economic independence from America. Only if France, by dint of great sacrifices, regained a measure of economic autonomy could it make its views felt on such issues as the recognition of China, a four-Power conference and the future of Germany.

If France were a small power without vital commitments in the defence of the free world, M. Mendès-France's programme would be admirable. Strasbourg, however, is less than 150 miles from the Soviet armoured divisions and



Hanoi is 90 miles from the armies of Mao Tse-tung. M. Mendès-France's fair picture of a kind of wise neutralism simply overlooks the realities of the present situation, and it is difficult to conceive what would happen in Bermuda if a French prime minister arrived with this version of Bevanism. Such thoughts will probably prevail in the Assembly, together with more sordid motives of party manœuvring and the Socialists' reluctance to do anything but sit in opposition. As *The Economist* goes to press it is not yet known whether M. Mendès-France will be defeated in his attempt to gain the investiture. But it seems likely that France will have to look in more traditional directions after this brief but significant flirtation with neutralism.

Nothing New from Mr Dulles

American listeners on Monday to Mr Dulles's nation-wide broadcast about his Middle East tour must have received the impression that it is easier to bowl along in the Arab countries than Americans on the spot find it to be. To the British reader, the very general conclusions that he put forward seemed to have little basis in the evidence he gave. For he appeared to deduce that the United States has somehow slipped out of the role of honest broker between the Arabs and the West, that it must cease to look as if it is pushing its own interests, and that it must not expose itself to the charge of supporting the old colonial powers.

If his tour is to fulfil the expectations it has raised he must offer solutions to two main problems. One is to decide whether Middle East defence is to be organised with or without western participation. The other is to bring about military and economic peace between Jordan and Israel. On neither of these had Mr Dulles anything new to say. He believes in a "phased withdrawal" of British forces from Egypt ; so do the British. But he thinks Cairo must first recognise that to keep the Canal Zone base in order "has an importance which goes beyond Egypt, for the base serves all Near Eastern and Western security." Yet Cairo's objection to this view all along has been the main difficulty. As for peace between Jew and Arab, he proclaims—like so many before him—that it "will require concessions from both sides." Mr Dulles should have added that such concessions will not be attainable unless strong pressure is brought to bear on both parties.

A broadcast of this kind would hardly be the occasion for announcing policy decisions ; but there are at least three points on which a clear statement of American views is urgently needed. First, does Mr Dulles propose, after the phased withdrawal of the British has taken place, to leave the area a virtual military vacuum ? If not, how well armed would he help the Arab states to become, in view of the fact that they are "more fearful of Zionism than of Communism ?" Then how, without forces on the spot, does he propose to "stand fully behind" the Anglo-Franco-American declaration of 1950 about the way Israelis and Arabs should behave on their common frontier ? And there remains a more subtle but no less difficult question: How can the Americans act as honest brokers in countries which find the commercial enterprise of Point IV no less intrusive than such faint shreds of British colonialism as still survive?

The Steel Knights

Sir Lincoln Evans, with the two other trade union leaders who have agreed to serve on the Government's Steel Board after denationalisation, came last weekend under the expected attack from the Labour Left. The journalists, indeed, surpassed themselves in bitterness. They thereby made plain how acutely the Labour movement is embarrassed by this co-operation between trade union leaders and the Government, and that impression has merely been strengthened by the rather tentative defence of Sir Lincoln which has come from some leaders of the Trades Union Congress. In fact, a spirited reply would be easy to make. The trade union members of the Steel Board are making the best of the denationalisation policy that, whatever the Labour party may think of it, the electorate has voted for. If this entirely proper (and foreseeable) action is a blow to Labour, there is plainly something wrong with the political tactics of the party.

Under the pressure of its left wing, the Labour party has persisted in representing denationalisation as black reaction. The Tories are supposed to be handing the country over to exploitation by the bad barons of steel monopoly. When the trade union knights (Mr Naesmith becomes Sir Andrew in the Coronation honours) sit on the supervisory board for the industry they help to show that this picture is unreal. But they are harming the Labour cause precisely because the party had chosen to paint, for purposes of propaganda, a picture that would in any event have been unreal. The error is of the same kind as was made in the famous warmongering charge against the Conservatives at the general election. In both cases the facts have overtaken the propaganda and it is that, not the personal decisions of individuals, which really hurts the left-wingers. The particular merits of the steel case quite apart, Sir Lincoln and his colleagues will in the long run be serving the Labour movement well if they help to show it that unrealistic propaganda often does not pay.

New Appointments for Kenya

The gravity of the situation in Kenya has been underlined by the two new steps taken to deal with it. The appointment of General Erskine as Commander-in-Chief, East Africa, with direct responsibility for all military measures necessary to restore law and order, means in effect the adoption of what has become known as a "Malayan solution" for Kenya. It does not mean that the peculiarly dangerous feature of the Malayan campaign—the fact that it is a campaign in the cold war—has any part in Mau Mau terrorism ; but it does mean that the emergency is now to be treated, for the time being, as a military operation rather than one that can be handled by a committee of soldiers and civilians. Priority is to be given by the Kenya administration to the measures General Erskine considers essential for success. These arrangements, it is said, will be reviewed when success has been achieved ; but the new command is apparently to be permanent. Its establishment may well reflect the situation in Egypt as much as that in Kenya.

The other appointment is on the civil side. Mr Frederick Crawford, Governor of the Seychelles, is to return to East Africa as deputy Governor of Kenya. The purpose of the appointment is to relieve Sir Evelyn Baring of the heavy load of administration he has been carrying ever since he went to Kenya last year. It is possible—it is certainly desirable—that Mr Crawford, who received a knighthood in the Coronation honours, will be chiefly concerned with the long-term plans for economic reconstruction that must be made even though law and order have still to be restored. As a former director of development in Northern Rhodesia, he has had more experience in the economic side of administration than falls to the lot of most colonial governors.

Wrong Move in Nyasaland

LITTLE comfort can be drawn from events farther south in Africa, from Northern Rhodesia and Nyasaland. In Northern Rhodesia, some Africans in the copper belt have been entering hotels and restaurants reserved for Europeans. By demonstrating against the colour bar in this way, they are using the same tactics as the Africans of the Union when they began their campaign against *apartheid*. No violence has yet taken place; but there is always a danger of ugly incidents if the demonstrations continue and spread. The Europeans have, in fact, been warned, and they would be foolish to think that ejection of the demonstrators is the only or right answer to them.

In Nyasaland, demonstrations have taken place against Central African federation, and have culminated in two deportations: the deportation to another district of Chief Gomani, a native authority, and the deportation from Nyasaland of the Reverend Michael Scott, who has spent some weeks in the territory speaking against federation. Chief Gomani was suspended from office and deported, it is said, because he had told his people, among other things, not to pay their taxes, and Mr Scott for helping him to escape when the deportation order was being served.

This is the official version of the affair; it will be interesting to see if Mr Scott denies it. In any case, the Government of Nyasaland has made a bad mistake. If Chief Gomani and Mr Scott have broken the law, they should be arrested and tried in the normal way. By ordering their deportation, the Governor has given the impression that he wants to get rid of them because they are a public nuisance and are opposed to federation. This is the worst sort of impression to leave on the Africans. It may well harden their opposition to federation at a time when all efforts should be directed towards breaking it down.

Rocks on the China Coast

THE argument about shipping on the China coast seems in the past few days to have moved on to an almost rational basis. This lull in the sound and fury may last only as long as Senator McCarthy's temporary withdrawal from the public eye; but, if so, there is all the more reason to take advantage of the moment of relative calm to establish the facts clearly and firmly. So far, the evidence has been presented only in fragments, but a picture is beginning to emerge. The "hundred ships, many of them British, still carrying strategic supplies to Communist troops in Korea" appear to have been whittled down to a smaller number of foreign-owned ships that have made a hundred voyages to Chinese ports, often in ballast to collect cargoes. As far as the British ships are concerned, there is still no evidence that they have carried anything "strategic" to China. As for the "two British ships carrying Chinese Communist troops," which, in Senator McCarthy's eyes, outweighed all the fighting done by British forces in Korea, it now emerges that one had been seized by the Chinese, while the other had been forced to carry Communist soldiers between Hainan and Canton.

Senator Mundt clearly made a fair point when, commenting on the latter case, he argued that foreign ships entering Chinese ports were offering themselves as victims to blackmail of this kind. But the fact that no similar event has occurred since June, 1951, suggests that the risk is very small; the Chinese have clearly realised that they cannot have their cake and eat it. It would be easy, however, to indulge in an unprofitable exchange of Anglo-American *tu quoque* on all these points. At the present stage it is much more important to remove the distortions caused by the wild and irresponsible methods of Mr McCarthy's committee, and to get the facts straight and in perspective.

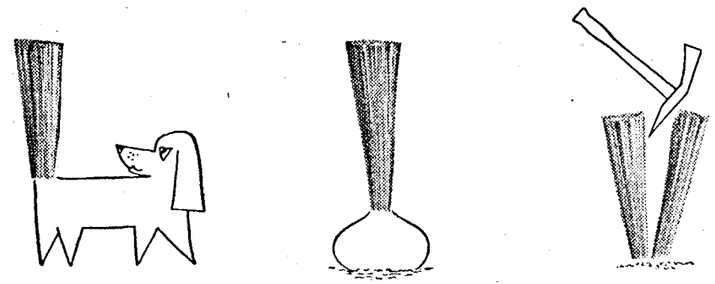
A Gloss on Stalin

THERE was an important reassurance to Russia's peasantry in last week's *Pravda*. An article entitled "Soviet Trade" criticised numerous writers who are solely or mainly preoccupied with the transition to a moneyless economic system based on the exchange of products, and who therefore neglect the vital problems of trade in its present form. "Objectively," says the author, "this means an underestimate, which in theory is wrong and in practice harmful, of the enormous role trade plays in the Soviet economy." The Soviet government and Communist party will "in the coming historical period" continue to develop trade, that is to say exchange based on money.

The writers now rebuked were, in fact, only echoing Stalin. In his "Problems of Economics," published last year, he analysed the problem of how to bridge the gap between state property in the towns and collective property in the countryside, and he recommended a switch from normal trading to the direct exchange of products in dealings between town and country. This could not be done overnight; but Stalin stated that a beginning had already been made in transactions with collective farms producing industrial crops and that the system must be extended

> unswervingly and without hesitation, step by step contracting the sphere of operation of commodity circulation and widening the sphere of operation of products' exchange.

Those who followed and elaborated the master's advice are now told that this is a question for the future, and that to plug it as a theme of discussion is harmful.



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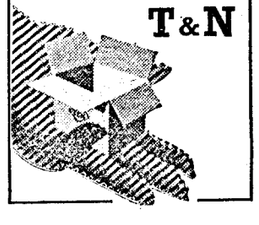
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The difference between Stalin and his successor in this matter is, however, probably one of tactics and terminology. While pointing the path to Communism Stalin himself spoke of many things unattainable in the near future, such as the halved working hours and trebled real wages. His successors prefer to limit themselves to the tasks immediately in hand. They know they cannot for the moment introduce "products' exchange," for the simple reason that they cannot afford to cause discontent among the peasants by forcibly extending this system; nor have they enough consumer goods to induce collective farmers to accept this form of barter without coercion. The new regime therefore judges it "harmful" to provoke peasant antagonism by advocating goals that are unattainable at this stage. For the present—impressively called the "coming historical period"—the new rulers seem to prefer to lay stress on the other aspect of the same problem, namely, the improvement in the supply of consumer goods to the countryside.

Welfare and the Family

A RECENT debate in the House of Lords on the welfare of the family—more exactly, on the impact of social legislation on the family—was outstanding. Anxiety about the declining sense of family responsibility, the instability of modern marriage, the increase in juvenile delinquency, and the inadequate birth-rate, is apt to be voiced in terms suggesting that what this country really needs is to get back to the nineteenth century—to the respectable nineteenth-century world, that is, of Anthony Trollope, not the horrible sub-world in which, as a matter of hard social statistics, most nineteenth-century families had their being. No such irrational hankerings marred the impressive opening speech of the Bishop of Sheffield. Its general theme was that the social services should work with, through and for the family as a going concern, not as a means, alternative or actually rival to the family, of securing individual welfare—a theme that was generally accepted and underlined by subsequent speakers. Indeed, the spectacle of local authorities spending £30 or £40 a week on maintaining the scattered fragments of a family which could perhaps have been kept intact by a couple of pounds' worth of home help provides an argument likely to penetrate the most unsentimental of legislators.

To embody this general aim either in amendments to the law or in rules of executive practice will not be easy. Lord Beveridge emphasised one danger: the fall in the real value of social insurance benefits, and the consequent insidious return of the means test with all its disruptive possibilities. Lord Salisbury put his finger on another deep-seated trouble-spot. Noting the cost of the social services to the ordinary families they are supposed to benefit, he questioned whether its effect in driving mothers of young children to supplement the family income did not sometimes produce "undesirable results" of just the sort that the services were supposed to prevent.

It would, indeed, be surprising if a social structure run up so hastily and in circumstances so unfavourable to the judicious weighing of alternatives should not have got some of its priorities wrong and proved in some respects self-frustrating. But if reform is carried out in the spirit of the Bishop of Sheffield's speech and those that followed, it should not be impossible to preserve the gains, while getting rid of the handicaps, which the welfare state has brought to family life.

Propaganda by Picture

A SOBERING thought accompanies the impressive news that the Coronation ceremonies were successfully brought into thousands of Continental homes by television. Only a few days ago an English viewer accidentally received on his set a reasonably clear programme from Moscow. Such events are still mere freaks, caused by unusual natural conditions; but the six-nation link-up on Tuesday, which extended as far as Berlin, marked a decisive stage in the advance of television as an international medium. The production in one country of films for the use of television stations in another is already an accepted technique. How long will it be before the direct reception of programmes originating on the other side of Europe becomes a normal occurrence?

When that day comes, it can hardly be expected that the studios of Moscow and Prague will be content to regale western viewers with glittering performances of "Swan Lake" or "The Bartered Bride." If their use of sound radio is any precedent, it can be presumed that they will mount a massive campaign of propaganda by picture, while using jammers or other devices to prevent their own peoples from seeing transmissions from the free world. The unpleasing prospect opens up of victims in some future purge making their macabre confessions under the eyes of every family in Birmingham or Battersea as it sits round the supper table.

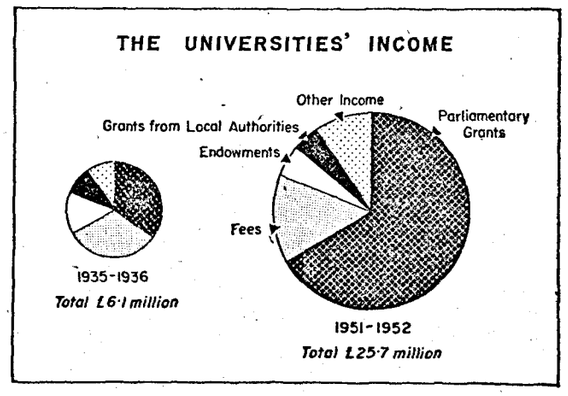
Moreover, it is no disrespect to the best craftsmen in television to point out that their art offers peculiar advantages to the unscrupulous propagandist. It is not easy to show the blessings of liberty on a flickering screen; but it is all too easy to use the medium to play on the crudest of human emotions—fear, revulsion and hatred. With the air already thick with spoken propaganda in almost every language, the approach of transcontinental television can hardly be viewed with enthusiasm.

Academic Account

THE latest report of the University Grants Committee, published last week, shows that in 1951-52 there were nearly 2,000 fewer full-time students in British universities than in the previous year. This is the second year running that has shown a slight fall, after five years of rapid and unbroken expansion. It does not mean, of course, that the clock is being put back. Until 1950 the permanent postwar expansion of the universities was exaggerated by the influx of demobilised servicemen. The 1952 figure of 83,458 students—of whom nearly a quarter are women—still repre-

sents a large increase over the prewar student population of 50,000.

The biggest organisational change that growth has brought to the universities continues to lie in their finances. The chart shows how dependence on the parliamentary grant has grown out of all proportion to the increase in



total income; and it will grow still more in the quinquennium that began with 1952-53, when the grants are due to rise from £20 million to £25 million. But this certainly does not represent public extravagance; with rising costs, the grants seem barely sufficient to enable the universities to maintain their existing activities.

Waiting for the Soviet Budget

It might be considerably easier to judge what is happening inside the Soviet Union if the budget had been made public. Normally it appears in March and in previous years it has never come later than June. It is not, it is true, a very revealing document, especially on such vital matters as expenditure on arms and research; but it has in the past shown significant trends. And it is those trends that will be eagerly looked for when the first budget of the post-Stalin era is available.

It is reasonable to assume that the triumvirate faces the same arguments with its military advisers as do President Eisenhower and Sir Winston Churchill. If any serious attempt is being made to catch up with the United States in atomic armaments, or even in research into the production of these and other weapons, the demands on Soviet resources must be severe. They must impinge on just those sectors of the economy that are most important for progress in heavy industry and for the promised aid in the industrialisation of China. The Five-Year Plan now awaiting the formality of approval by the Supreme Soviet was drawn up under Stalin, and provided that engineering output should be doubled and consumption increased by only 35 per cent within the period of the plan. If Malenkov, Beria and Bulganin are as eager as they are said to be to improve the lot of the consumer, they might well think it necessary to modify the emphasis of the plan. Such a decision would be reflected in the budget and could make possible a little more intelligent guesswork about what is going on inside the Kremlin.

Congress in Vienna

THE five silent Soviet observers who sat in on the recent Congress of the International Chambers of Commerce in Vienna must have gone away impressed with the external contradictions between western capitalist countries. Just when the advocates of protectionism in the United States appeared to be predominant, the leader of the American delegation in Vienna was declaring his belief in the coming victory of the low-tariff school. At the same time as the virtues of European integration were being extolled in Luxembourg and Strasbourg, a German speaker at the conference, Dr Boden, was launching a tirade against the Coal-Steel Pool. A conference intended to discuss the laudable purpose of convertibility with the dollar derived much of its animation from private talks aimed at increasing East-West trade.

The conference, attended by more than a thousand businessmen, heard speeches by such eminent personalities as Mr Ivar Rooth, managing director of the Monetary Fund, laying stress on the length and hardness of the road to convertibility; according to Mr Rooth, the Fund does not at present propose to take a decisive part in progress along it. When the American delegation report to President Eisenhower, they will no doubt stress the growing frustration in Europe at the absence of clear-cut American economic policies. All Europe will await with anxiety evidence that this team of leading businessmen carries weight in Washington.

The Magic Mountain

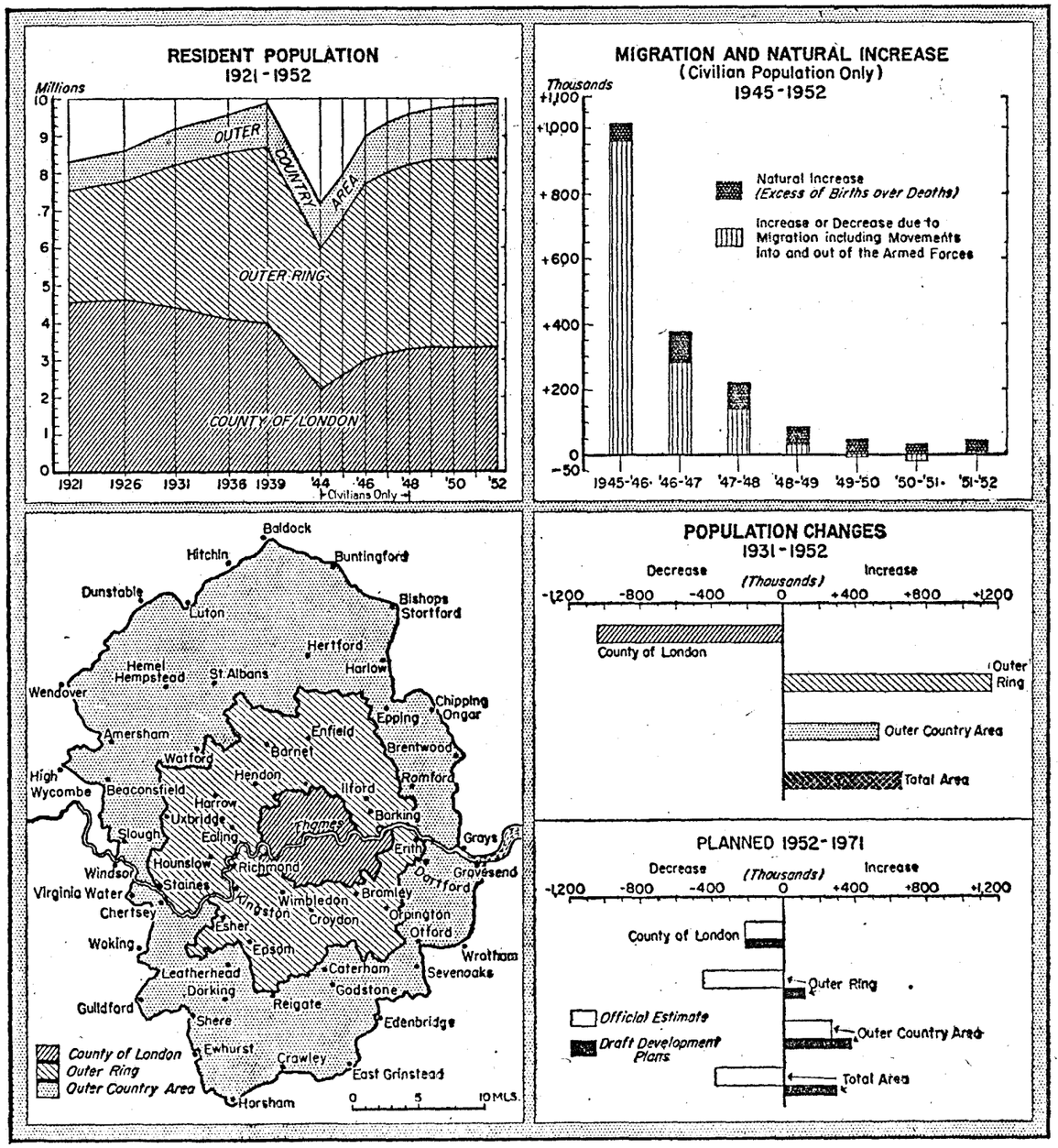
THE first ascent of Everest, like the breaking of the sound barrier, is superb proof that in this second Elizabethan age men can still burst into silent seas. The conquest of the summit by E. P. Hillary from New Zealand and Tensing Bhutia, the famous "tiger" of the Sherpas, is a triumph of individual endurance and collective planning. Behind the success of Hillary and Tensing lie thirty years of experience gathered by other parties, sometimes at the expense of lives and always at the cost of tremendous effort and courage. Where Hillary and Tensing succeeded Mallory and Irvine died, and the expedition's route, up to the final assault stage, grew out of the inspired guessing and reconnaissance of Eric Shipton. This victorious British expedition, moreover, stands out for its caution and careful preparation. The French conquest of Annapurna ended in a terrible ordeal and the renewed German attempts on Nanga Parbat have taken tens of lives; but there is every sign that Colonel Hunt will bring his men back in good shape. Where the earlier Elizabethans excelled in feats of individual dash, their modern successors work as teams and behind a vanguard of science.

One other aspect of this great achievement merits attention. That Tensing should have been one of the first two men to stand on the summit of Everest is not only a tribute to the invaluable role of the Sherpas in every expedition; it is also a symbol of co-operation between an Asiatic and a white man. It is to the heroism of a New Zealander and a Nepalese within a British venture that Coronation day owed its final touch of glory. Nothing could have been more fitting.

London's Population

SINCE the evacuees returned, the population of London has been creeping slowly back to its prewar size. But there has, of course, been a striking redistribution; far more people today live near the outer boundaries of the London Transport area and far fewer within its centre. And by now it seems that London is neither losing nor gaining population from the rest of the country. Its numbers continue to grow only by the natural excess of births over deaths.

What is likely to happen to London's population in the next twenty years? According to estimates made by the London Transport Executive, the official plans for 1971 would reduce the population of the built-up area by over 600,000 and increase that of the outer country zone by 250,000. With the expected natural increase, some three-quarters of a million people would have to be moved out of the area—an impracticable undertaking on most reckonings. More likely estimates are derived from the draft development plans, which foresee an expansion in the population of the London Transport area by some 300,000, to well over 10 million, in 1971.



Books & Publications

Set Book for Socialists

BRITAIN'S ECONOMIC PROBLEM.
By C. A. R. Crosland.
Jonathan Cape. 224 pages. 12s. 6d.

IT is a pity that this book will inevitably be read largely for its political interest. Mr Crosland is an Oxford economist, who went into Parliament in 1950 and has established his position during three troubled years in the Labour party's history. He stands on the Right of the party, with the ex-ministers who during these years have been retreating under pressure, making practical and ideological concessions to the Left. But Mr Crosland himself makes few concessions. He firmly condemns many traditional Labour ideas. But he believes that

> there are grounds for hope that the party may now realise that it has not a single, but a dual role: to remain the party of social reform, but at the same time to put before the country a bold long-term policy, whatever the sacrifices entailed, for the economic regeneration of Britain.

The grounds are not easy to see, but Mr Crosland certainly performs one important political service. He shows what has seemed, of late, regrettably doubtful: that a reasonable man can still reconcile economic realism with Labour politics.

But this is a subsidiary aspect of "Britain's Economic Problem." Books of its kind—extended essays on the factual rather than the philosophical or social bases of economic policy—have remained surprisingly rare through the years of crisis. Mr Crosland puts between stiff boards the subjects of contemporary discussion in periodical literature. The result is inevitably more exposition than original study. But the economists and informed politicians should read this book, because it organises familiar facts and arguments unusually well. And for either the intelligent layman or the economics student, the exposition is excellent. Mr Crosland avoids jargon; and though his writing is not always elegant, it is clear and to the point.

One-third of the book is occupied by a competent, light and generally fair-minded sketch of British economic history since the war. The remaining two-thirds, which Mr Crosland calls "The Future," is an analysis of the British problem under three heads: the world shortage of food and raw materials; the disequilibrium between the dollar and non-dollar worlds; and the instability of the American economy. On almost every point, Mr Crosland's judgments fall into a moderate school. He believes, for example, that the world economy is reverting to a chronic state of great pressure on natural resources, but he does not carry this view to neo-Malthusian extremes. Again, he emphasises the difficulties for the rest of the world that arise from an American recession, without in any way suggesting that the United States is unchanged from the thirties. Nor does he deny, as Socialists have often seemed to do, that it is the rest of the world's job to learn to live with considerable fluctuations in American imports, arising from the moderate cycle in activity that the United States can well afford. Throughout, most people will disagree with some of Mr Crosland's judgments, but few will ever disagree violently.

Yet the policy that emerges from all Mr Crosland's good sense is by no means convincing. He gets into serious difficulties with the question that exposes so many of the dilemmas of British policy: if the fifties and sixties are decades of an expanding world economy, can the structural dollar shortage (for the rest of the world in general) possibly remain as serious as it looks? Mr Crosland recognises that it cannot, but he adds that it will be many years before American imports greatly increase; so the dollar problem will continue. That is fair enough, as an academic answer. But it makes an unsatisfactory basis for the policies that the book advocates—for intensified discrimination against dollar goods, with the sterling area bossed about more firmly from London. Are other countries going to stand for that, in the sort of world he anticipates?

Mr Crosland feels the need to show that he is not just a liberal economist in Labour clothing; he attacks those whose policies boil down to disinflation and nothing else. To avoid inflation is, he very properly says, "a necessary, not a sufficient, condition of solvency." But he does not add much about the other conditions. Controls over imports and export production have certain negative uses, but they will not take Britain far towards earning its living in the expanding world economy Mr Crosland believes we are dealing with. A large part of his conclusions might be summarised by saying that Britain will be all right provided that the economy is flexible; but the necessary changes that he discusses are merely the major, set-piece shifts to more coal, steel and engineering output. The author's defence is that this book sets out the external problem and it would need another book to do more than lightly sketch "the internal policies that will be needed." If this is really Mr Crosland's only difficulty, one may hope that he will write the second book quickly. As it is, the reader may have difficulty in believing that the policies are by any means as clear—at any rate in terms of practical Labour politics—as Mr Crosland asserts.

The Writer's War

IDEAS AND PLACES.
By Cyril Connolly.
George Weidenfeld and Nicolson. 280 pages. 16s.

THIS book, mostly made up of Mr Connolly's "Comments" in *Horizon* between 1944 and 1949, is an official history of his war against his enemies. He rules with spirit over a large ivory fortress, inhabited by those to whom literature is a serious business; and within the walls is a spacious glacis, composed of foreign parts. On one side the fortress is attacked by totalitarians, usually communists; but there the escarpment is steep, fifth columnists are apprehended and flung over the battlements, and molten lead falls with a satisfying plonk on the attackers' heads. The real danger comes from the other side, where the enemy is the vast indifferent British public; they may never capture the citadel, but they can starve the defenders out. The commander is at his best when he dispenses justice among his subjects, or surveys his glacis; but his sorties against the enemy deserve special notice, since they are designed not merely to break heads, but to reprovision the garrison, which needs it now more than ever.

Mr Connolly constantly defends the right of the creative writer to a livelihood, and he illustrates his thesis by replies from some twenty authors to a questionnaire sent out in 1946. The danger is not that writers cannot support themselves at all, but that they can do so by activities like journalism, broadcasting, editing and publishing, which are so like their real work that their energy gets drawn off from the serious writing which is their task. Of course, the problem is not a new one; but there are fewer private patrons and East India clerkships about these days, so the familiar question is asked: should the state subsidise them? Some of *Horizon's* correspondents reject the idea indignantly; others ask for the sky. He himself asks for something near the clouds. Let us hope, he continues, perhaps for something a little more modest. It is just because there are so many approximate but distracting resources open to authors, that literature (except for some modest help for poets) is the one art which the state, through the Arts Council, has not yet had to support. No such expedient is available for grand opera: either it is subsidised, or we do not have it. Authors have no inherent claim to special treatment; but in literature, as in the other arts, the country might gain by some experiments in patronage.

Guide to Economic Doctrines

A REVIEW OF ECONOMIC DOCTRINES, 1870-1929.
By T. W. Hutchinson.
Oxford University Press. 456 pages. 30s.

THE history of economic doctrines has been written in various ways. Some scholars have taken them up one by one and pursued their chequered course from their origin to the present day. Others have tied them to economic history, especially to the more spectacular events that have given birth to the most important doctrines.

The author of this learned book has started from several angles. In the first part he deals with the systems of the leading economists from 1870-1929. Jevons, Sidgwick, Marshall, Wickstead, Edgeworth, Hobson, Manger, Wieser, Boehm-Bawerk, Walras, Pareto, Wicksell and Cassel, Clark and Veblen, Simon Newcomb and Irving Fisher, and even Schmoller get a chapter or part of one. A succinst, though not always exhaustive, analysis—with a sort of biographical tilt—enables the reader to familiarise himself with their main ideas, and an appendix draws attention to their most important statements. This method inevitably involves repetitions, overlappings and cross-references; nor does it clearly show the unfolding of each doctrine.

The second part, "From Static to Dynamic Analysis," deals with Welfare Economics and Socialism; Consumers, Firms and Markets; Profit, Uncertainty and Expectations; Interest, Money and Macro-economic Analysis. The chronological - biographical arrangement is abandoned, and these several topics are strung together round "the increasing importance of the distinction between static and dynamic analysis." The author is conscious of a logical flaw in this arrangement; for the writers discussed in the first part saw in static analysis not the end of all economic research, but a prerequisite of dynamic analysis. Although socialism is dealt with, the controversies arising from the publication of Marx's second and third volumes in 1885 and 1894 respectively, are not mentioned; nor are the Neo-Marxists and the Austrian Marxists like Hilferding. This is a little perplexing, especially as the third part of the study—"Instability and Disturbance"—concentrates on "Crises and Cycles," the Marxist analysis of which deeply influenced economic thought and economic policy. The author should have given his reasons for leaving out these writers with whose works he is certainly conversant. The book has the merits of a first-class textbook and none of its customary shortcomings—guide book might perhaps be a better term, for the author is an excellent cicerone. His study is, however, rather depressing. One feels that the best brains who have been at it since Jevons and Marshall have made us more knowledgeable in many ways and more cautious in expressing views, but have not yet brought us much nearer to a complete understanding and successful mastery of the economic process.

Organised Politics

THE PARTY SYSTEM IN GREAT BRITAIN.
By Ivor Bulmer-Thomas.
Phoenix House. 328 pages. 25s.

NO more surprising gap exists in the literature of political institutions than the British party system. Besides those magisterial volumes which so comprehensively inform us about parliament, the cabinet or local government, there is nothing about the working of British parties that is not either out-of-date, partisan, jejune or monographic. This is a serious deficiency, not only for students but also for the layman, since it is upon a popular awareness of the realities of party government that democratic health largely depends. Party is organised power in modern Britain and, as power, it needs to be measured in order that it can be controlled.

Mr Ivor Bulmer-Thomas's book falls some way short of remedying this deficiency. It is a prefab, not a mansion. But at least it provides some shelter for the scattered, unassembled pieces of information on this topic which have nowhere else been afforded the protection of cloth covers since the late President of Harvard, A. L. Lowell, finished his "Government of England" in 1912. Since Lowell's day there have been many far-reaching changes, some of which have been described and analysed by specialists in different fields. Mr Bulmer-Thomas, though he has attempted no research of his own, has arranged in a convenient and readable form a great deal of this previously unassembled material. This task he has performed with an obvious relish derived in part, no doubt, from his unusual experience first as a Labour MP and later as a Conservative candidate. Such a dual involvement might indeed create problems of its own, tempting the author in succession to the *schadenfreude* of the disillusioned and the complacency of the convert. To Mr Bulmer-Thomas's credit it must be said that he has been highly successful in maintaining an impartiality which only very rarely cracks beneath the strain of his own political pilgrimage.

Here and there the book reveals in minor errors of fact and crudities of expression some evidence of haste in its composition. In the main, however, it is a clear, sensible, persuasive and thoughtful presentation of the party system. It begins with a description of its historical origins, then deals with present-day structure and workings, touches on some marginal topics such as the press and the churches, and finally explores some of the problems which our new Leviathans present for the democracy they serve.

Labour and Love

LELIA. The Life of George Sand.
By André Maurois.
Jonathan Cape. 482 pages. 25s.

THE George Sand who was an incredibly prolific writer, has largely been eclipsed in the world's mind by the boldly unconventional mistress of Chopin and Musset. The fact that her collected works comprise more than a hundred volumes presents a different picture—one of a novelist writing with Scott's speed and Trollope's regularity.

Thirty years have elapsed since M. Maurois made his debut as a biographer with *'Ariel, ou La Vie de Shelley.'* Lytton Strachey's sprightly Gallic disciple has been succeeded by an industrious student of unpublished documents, entrenched behind abundant footnotes. This substantial volume, in a very readable translation by Mr Gerard Hopkins, is less an appreciation of George Sand (1804-1876), the artist, than a brilliantly persuasive analysis of her complex nature, with its markedly feminine and incongruously masculine elements. Something was missing. Vitally attractive, she had, none the less, to retire defeated from her prolonged pursuit of a satisfying love. A fearsome egotism may have contributed to her failure. Lélia is the title of one of her novels, which has for its theme a pre-

Recent Oxford Books

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dominantly maternal woman who cannot share the raptures of a series of lovers.

Sand's heredity—she was born Aurore Dupin—accords with her extraordinary life. She was descended on her father's side from an illegitimate son of Louis XV and an illegitimate daughter of Marshal Saxe, who was himself the illegitimate offspring of Augustus the Strong of Saxony and the lovely Countess Königsmark. Her mother, however, was the daughter of a bird-fancier. The family estate was Nohant, in central France. Our own pseudonymous George, Marian Evans, drew on her early memories of rural Warwickshire. Aurore Dupin was to till a similar field and to reap a far more voluminous harvest.

An incompatible marriage broke up after two children had been born. Aurore Dupin departed to Paris and successful authorship. In later years she became increasingly attached to country life at Nohant, an industrious matriarch, enjoying her grandchildren and dispensing much hospitality. A procession of illustrious names moves through this book: Balzac, Flaubert, Mérimée, Sainte-Beuve, Delacroix and Turgeniev, among many others. "The only two genuine passions of my life," she declared, "have been motherhood and friendship." Chopin and Musset were the victims of her maternal possessiveness.

At the seventy-fifth Annual General Meeting of the Institute of Bankers on May 20th the President announced the award of the Institute Prize to Mr. D. R. Marsh for his book

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Letters to the Editor

Four Puzzles for M. Mayer

SIR—You say in your Note of May 16th that the devaluation of the Indo-Chinese piastre is "bold"; indeed it is a bold mistake. There can be no good currency in Indo-China as long as the war goes on prohibiting large exports of rice, rubber, coal, maize and dried fish, and as long as the rebels need francs to buy, directly or through other currencies, medicines and arms. Moreover, all the exchange of francs against piastres is done with the permission of the "Office indochinois des changes" and through the channel of this government agency. Only the enforcing of its controlling powers will put an end to the "traffic" of piastres. That traffic still goes on, with the rebels offering 1 piastre against 6 francs (the new parity is 1 to 10); they can afford it because they get their piastres cheaply by fleecing the population. Who will argue that a new devaluation to this parity is necessary? But the traffic, morally shameful, is economically unimportant. The truth is that the rising trend of imports had to be curbed, but there were better ways to achieve this than by a devaluation, which brings much economic and political trouble in the Associated States, without curing the traffic.

As to the true parity of the piastre, we cannot judge it during the war and in a shattered economy. If peace returns, exports will regain their prewar level and will largely pay for imports. The piastre could well then be worth more than the old parity of 17 francs, if it had a worldwide quotation.—Yours faithfully, P. BORDES

Saigon

[The devaluation should help to stop the flow of "hot money" from France to the Associated States. This means stepping on some wealthy toes; hence our epithet "bold."—EDITOR.]

When Italy Votes

SIR—On the eve of the elections, may I suggest that the note in your issue of April 11th was seriously short-sighted. Nobody is denying that clericalism is a substantial social force in Italy; but practically to identify it, as you have done, with the present Governmental coalition, which does represent the third choice, after communism and fascism, is something else again.

For historical reasons, democracy in Italy is still too tender a plant. But it does have a base. That base is represented by the present Governmental coalition, around which have gathered all those individual and social forces which are loyal to the democratic way of life. That base must be strengthened and extended if we want to prevent the return of any kind of authoritarian regime—communist, fascist or theocratic. I think it can be, provided that the present democratic coalition has the opportunity to continue its work of rehabilitation which, in time, can win increasing support for it. But if you characterise it as clericalistic, especially during a pre-election period, you discourage support of it at the very beginning.

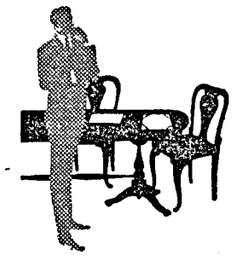
No Government of the centre is possible today in Italy without the Christian Democratic Party. The present coalition is moulding its followers in the direction of a more conscious recognition of the worth of democracy. In that sense, therefore, the specific dialectic of the present experiment in democratic political coalitionism ought to be recognised for what it is: a struggle against clerical authoritarian control. It ought to be encouraged, instead of having cold waters of scepticism thrown upon it, as you have done. The threat to democracy in Italy today does not come from the Catholics, but from the brutal political totalitarian movements, especially of Togliatti-Nenni.—Yours faithfully, HARRY GOLDBERG

Rome

The English Village

SIR—In your issue of May 30th Mr Lipton comments on the review of Mr Baker's book. It is true that in aggregate there is still quite an impressive number of craftsmen and small craft businesses left in the countryside, and that the Rural Industries Bureau is doing good work assisting them technically and financially. The contribution of the crafts towards the rural labour problem is, however, but a drop in the ocean. What has to be found in nearly every rural area is one or more small works, employing up to, say, a hundred persons each, which will absorb all the wage earners surplus to the needs of agriculture and forestry and of small ancillary industries. At present, not less than one third, probably one half, of the working population of the countryside is having to travel to the nearest large town to find employment, and that does not make for stability. In fact, commuting is the first step towards leaving the countryside altogether, for it is natural that a man or woman should wish to live close to his job. Unfortunately very little is known about the economics of small industries located in the countryside, and it is here that a great deal of research and experience is needed, but the problem will have to be solved if the drift out of the village is to be stopped.—Yours faithfully,

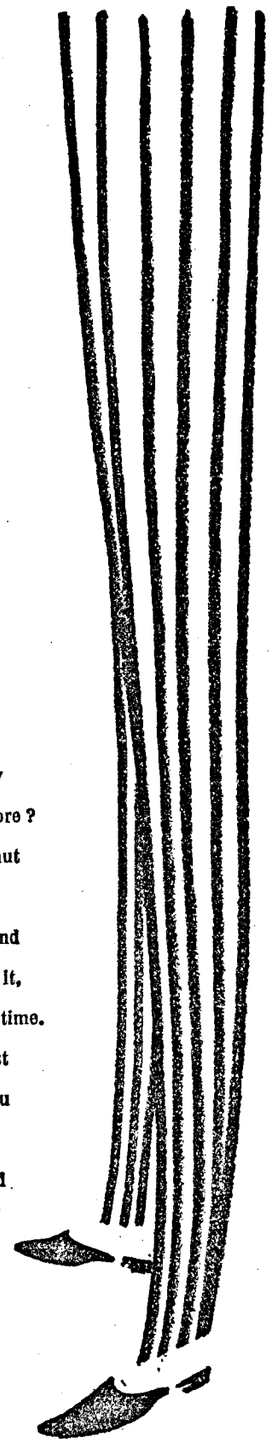
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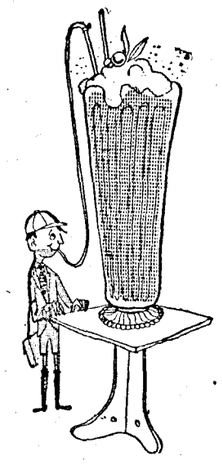
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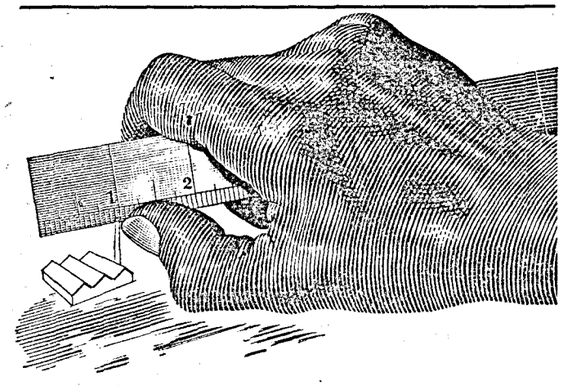


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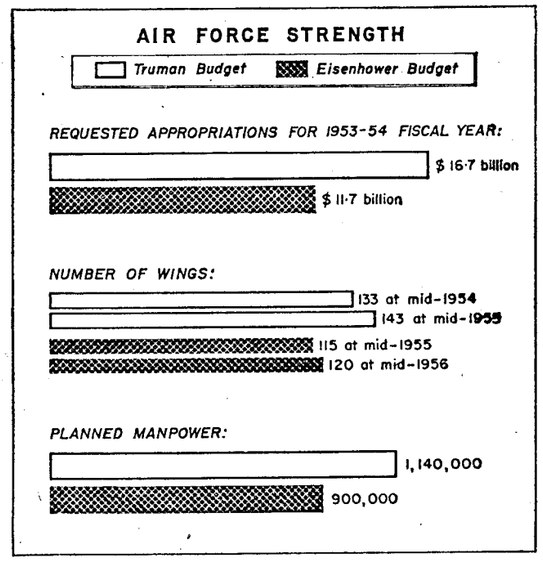
AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

How Much is Enough in the Air?

Washington, D.C.

THE season of late spring and early summer, when the friction between the Administration and the Congress over budgets and appropriations begins to become acute, is always an unhappy period in Washington, whatever the weather. It is the time when relations wear thinnest between the two ends of Pennsylvania Avenue, when Administration officials prepare to fight their last ditch stands against cuts in their appropriations. It is the time when members of congressional committees are most prolific of irresponsible remarks about the allies, the Administration, and the armed forces.

This year, in spite of President Eisenhower's efforts to promote a better understanding between the two ends of the Avenue, the chorus is as strong as ever, and became considerably shriller when he dashed all hopes of a balanced budget or of reductions in taxes. Moreover, this year an unusual counterpoint theme has sprung from the fact that the largest single reduction in the appropriations for the fiscal year beginning in July falls on the United States Air Force, the favourite service of the United States Congress and the American people.



That the new Administration did not intend to build up the Air Force on the same basis as had its predecessor, or to as large an eventual size, had been apparent for over a month before Mr Charles Wilson, the Secretary of Defence, announced it to a congressional committee on May 11th. It was implicit in the demands for a substantial reduction in defence appropriations which had been made since February by the Bureau of the Budget, for as the largest spender of military funds the Air Force was obviously going to have to bear a heavy share of this reduction. What did take Washington by surprise was the announcement that almost the whole of the $5 billion cut in the defence appropriations would be borne by the Air Force. When it was revealed, partly by the President in his radio address of May 19th and partly by Mr Wilson in his testimony before the Senate Appropriations Committee, that the Air Force would be reduced by this amount of new spending authority for the coming year, and that its eventual size would be 120 wings instead of 143 wings (which had been established as the goal for the past eighteen months and more), Congress flared up.

The Administration's presentation of this politically contentious decision was complicated by the fact that Mr Wilson and the President spoke with two voices, the one claiming that the military targets had been adjusted to the framework of a reduced budget, the other that the targets had been decided on first and the money needed to meet them afterwards. But what drew the wrath of Congress was Mr Wilson's characteristically unfortunate remark to a Senate committee that the new programme would provide more defence at less cost. This attempt to assert that Republicans can have the best of both worlds must have brought home to him the truth of the great American homily: "Never underestimate the power of a woman." For it goaded Senator Margaret Chase Smith of Maine into addressing thirty-two pointed written questions to the hapless Secretary, one of which was:

> How has the nature of the Communist threat changed so that we need only 120 instead of 143 wings, and yet we still need the same number of Army divisions and Navy combat ships?

Representative Yorty of California, a Democrat, inserted into the *Congressional Record* a statement by a senior Air Force officer that the new limitations on Air Force expenditure and manpower would have a drastic effect on the aircraft industry, and on the ability of the Air Force to man even a reduced number of air formations.

The present strength of the Air Force is about 106 wings.

An American wing is roughly the equivalent of an RAF group and varies from a strength of about 75 aircraft for fighters to about 30 aircraft for bombers. The new Administration's plan, which abandons the idea of working towards an exact target, will achieve its reductions by eliminating five of the 57 wings which were to be the final strength of the Strategic Air Command, and a further eighteen troop-carrying, transport and fighter-bomber wings. Exact comparison between two such sets of estimates is certainly an unfruitful exercise. No one disputes Mr Wilson's contention that there had been considerable waste and overlapping in the old programme, or that ten per cent of the wings supposed to be in existence now lacked either bases, aircrew or aircraft. And there is much to be said for his belief in the importance of equipping a smaller number of formations with newer planes, and thus reducing the factor of obsolescence; this is similar to the change in emphasis that has occurred in the RAF programme.

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What is hard to accept is Mr Wilson's contention that, if the strategic situation alters in the future, more aircraft can be put into production to compensate for those eliminated from the drawing board by the reduction of $3.4 billion in aircraft procurement funds this year. Mr Wilson and Mr Kyes, the deputy secretary who is emerging as the more effective figure of the two, are expert industrial engineers, but the whole of postwar experience with complicated jet aircraft disputes this contention. There is no doubt that a shift in professional American thinking about the use of strategic air power is taking place: greater reliance is now placed upon the medium range bomber, operating from overseas bases or from carriers, than on the very long range bomber based on the United States.

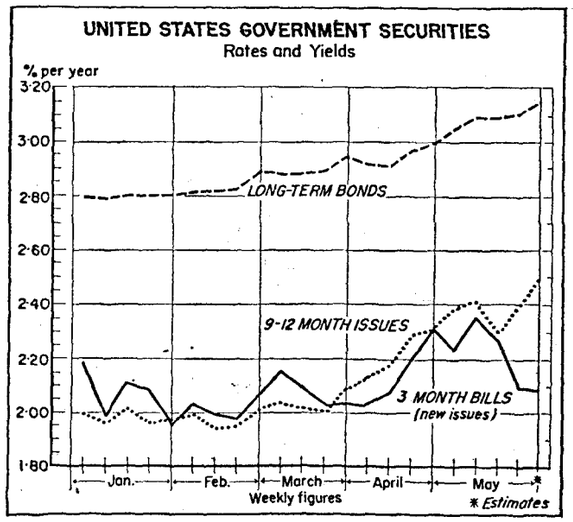
But this decision was taken for budgetary, not professional, reasons without the agreement of the outgoing Chiefs of Staff and before the new ones were in a position to make their own recommendations. Consequently the decision on the Air Force has had a very uncertain reception even by those members of Congress most anxious to see a reduction in total expenditure. Mr Kyes and Mr Wilson have explained that they have merely asked for somewhat less money to be set aside for expenditure on the Air Force in future years, while they concentrate on improving current production, and await the strategic recommendations of the new Chiefs of Staff. But they have explained it in the complicated jargon of the Detroit engineer, and have not yet got their point across to Congress.

The Air Force itself is also thoroughly alarmed: the favoured position which it acquired three years ago, when the concept of "balanced forces" was abandoned, seems to be in jeopardy; and the force is more than nervous at the prospect of having an admiral as chairman of the Joint Chiefs of Staff. Genuine unification and co-operation between the three services has never got further than skin deep; the battle between the aircraft carrier and the strategic bomber, between the Army's anti-aircraft guided missiles and the interceptor fighter, over whether the fighter bomber should be a support weapon for the army or an independent operator, still rages in the Pentagon. In consequence the Air Force has built up in self-defence a lobby in Congress which Jay Gould or the Robber Barons would have envied, and it has receptive material on which to work. Not only do many of the leading Democrats see in this question an issue on which they can defend the late Administration and probably strengthen their standing for the next election, but even the midwestern Republicans have always had a kindly feeling for the Air Force. In the present atmosphere of recrudescent irritation with allies, the Air Force, in particular its strategic bombers, represents the best way in which the United States can confront Russia without having to station American boys in degenerate foreign parts or heed the views of its friends. The danger, since no politician will dare to suggest reducing the total of the already unsatisfying cuts in the new budget, is that the Air Force will have some of its funds restored at the expense of foreign aid, offshore procurement or some other vital part of the programme.

Pinching Money

FROM A CORRESPONDENT IN NEW YORK

ALTHOUGH it was to be expected that a restrictive monetary policy would be ineffective unless it pinched at least some borrowers and lenders, the fact that it actually does pinch has come as a great surprise to even the most sophisticated investors. Their cries of outrage and anguish are now re-echoing in Washington. When the case for using indirect monetary measures to check inflation, in preference to direct wage and price controls, was being argued, the opponents maintained that indirect action could not be made to work effectively. Now it seems that the scoffers are



protesting that such action works all too well, while those who had urged the use of monetary controls are protesting they did not mean them to be used so much.

As the result of these political complaints it is the Department of the Treasury and the Federal Reserve Board, the central bank, that are being most severely pinched by the restrictions on money for which they are themselves responsible. They have to carry out the monetary and debt management policies designed to keep the inflationary results of the present budgetary deficit within the tightest possible bounds, and yet avoid precipitating a deflation that would ruin Republican chances in the next election, or would make it impossible to continue using monetary measures in the

future. Thus far, almost all of the criticism from the left is centred upon the Treasury, which is accused of pushing interest rates up. But the Federal Reserve's comparative immunity cannot last for long, for the fire from the right is now being concentrated on it and the direction of the shelling will soon show the left where the target really is.

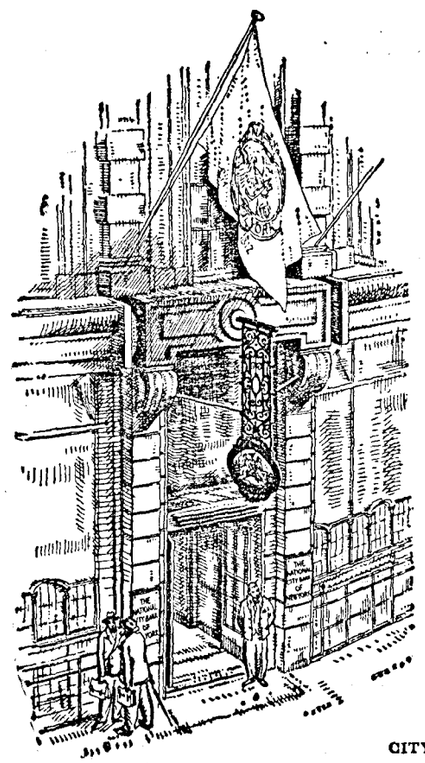
Under these circumstances, it is unfortunate that Mr Humphrey and Mr Martin, who respectively head the Treasury and the Federal Reserve Board, have not chosen to counterattack swiftly by emphasising to their critics what is the alternative to their policy. It should be easy to deal with the twenty members of Congress who want the Federal Reserve to support the prices of government securities at par by stressing that such action would have the effect of providing investors with interest-bearing currency. Nor should it be too difficult to explain to expert critics that the creation of an additional supply of money at a time when virtually all manpower, plant and equipment, and natural resources are employed will do little but push up prices, and thus make it more difficult to help the economy through the period of readjustment which these critics are forecasting for the immediate future.

But little has been done along these lines, although recently there have been several articles in the press, quoting "well-informed sources" to the effect that the central bank's policy is one of applying a degree of pressure to bank reserve positions, not a policy of denying funds absolutely to the money market. These inspired stories have apparently been intended to reassure that market, which has been fearing that it may have to face the mounting demands for credit from consumers, business and the government completely unaided. To lend force to its words, the central bank put more than $200 million of new funds into the market during the latter half of May.

Neither words nor works seemed to produce the desired result, however. In the same weeks the bond market steadily degenerated through weakness to near disintegration, with the longest term issues under the heaviest pressure. The Treasury's new 30-year 3¼ per cent bonds dropped almost a full point below the issue price of par, most of the decline coming within two days. Other offerings of Mr Humphrey and his deputy, Mr Burgess, have fared no better: the more recent one-year 2⅝ per cent certificate sold fractionally under par before its June 1st issue date. The earlier 2¼ per cent certificate due in February, 1954, sold at prices to yield more than 2½ per cent, while the 2½ per cent 1958 maturity, sold in February at par, fell below 97½. The experience of investors who have bought these products of the Humphrey-Burgess partnership is hardly calculated to build an attractive reputation for the future output of the concern, yet it is quite apparent that the firm will have to increase production in the months ahead.

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Probably one of the more significant phenomena of recent market developments has been the way the rate on 3-month Treasury bills has tended to remain low, and even to decline at times, in spite of a steady increase week by week in the quantity being offered for sale by the Treasury. Already nearly $1,000 million has been raised in this way and another $800 million by a sale of special tax anticipation



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series, and the Treasury has publicly announced its intention to get another $900 million during June. It would seem that much of the money being frightened out of long-term issues, or being frightened away from going into them, is seeking a temporary haven in the comparative security of a short bill from which a shift can be made without risk of significant loss if the times should become propitious for long-term investment.

At the moment, however, the market is staring, fascinated, at the prospect for the latter half of the year. In those six months the Treasury will have to raise perhaps $8 billion, state and local governments will continue their heavy demands for financing road, school, water, hospital and other improvements, and a seasonal demand for bank credit will be added to all the rest. It is perfectly clear that even the record peacetime rate of savings now being accumulated will not satisfy the demand, and the money market has apparently convinced itself that the central bank has so completely withdrawn that it will not provide a single dollar of reserves to enable the banking system to create the necessary deposits. Furthermore the market insists on interpreting Mr Martin's hailing of the return to free markets as a firm commitment that the Federal Reserve Board will never intervene to influence the course of interest rates, no matter where they go.

The market can hardly fail eventually to come out of its present state of nerves, shivering severely with every passing rumour, but it is doubtful if the criticism it has brought down on the Treasury and the Federal Reserve will pass as quickly. For the rate increases that began in the money market are now spreading out in the form of rising costs for business borrowing, real estate mortgages, and Stock Exchange collateral loans; there are some indications that consumer credit rates will also soon be increased. All of these rises bring more and more cries for easy money, more and more pressure on President Eisenhower to relax his insistence on a "sound" dollar. And, of course, Mr Humphrey and Mr Burgess wonder how they are to raise the billions of dollars they will need before the year ends, and how they are to refund almost $20 billion of maturities that fall due before December 31st in a market that seems ill prepared even to handle the volume of securities already outstanding.

It is, perhaps, the most ironic of all developments in the first few months of the new Administration that Mr Burgess's severest critics are neither the Fair Deal Congressmen nor the pundits of the press, but his former associates in Wall Street. They complain bitterly, and probably shallowly, that lack of adequate technique has helped to put the market in the dumps; they point to an opening of subscription books for the new 3¼ per cent bonds on a day when banks were closed in three states, to a failure to prevent speculation in these bonds in order to enable "true" long term investors to buy them, and to a disturbing habit of breaking the bad news of large additional financing to come in anything but the gentlest manner. This, however, is the kind of surface analysis that any market specialises in. The hard core of the problem remains the unquestioned need of the Treasury for deficit financing at a time when the private sector of the economy is doing more than enough deficit financing of its own, and at a time when it has been decided to rely on monetary measures to contain the boom within reasonable limits. No technical skill would avail wholly to resolve these contradictions.



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American Notes

Who Makes Foreign Policy?

THE Senate has had second thoughts about its Appropriations Committee's attempt to limit the President's freedom to negotiate a Far Eastern settlement, by withdrawing the American financial contribution to the United Nations should Communist China be admitted to membership. But the price the President has paid for the compromise may turn out to be steeper than he realises. He agreed to the inclusion in the Bill of a clause stating that Congress believed that Communist China ought not to be admitted to the United Nations, and he gave Congress to understand that he could be relied on to oppose any proposal for admission. But what Congress understood, or what some members will later maintain that they understood, is that the President was permanently committed to this opposition, while he himself almost certainly implied that his undertaking was qualified by "in present circumstances."

This is assumed from the answer Mr Eisenhower gave to questions on the matter at his press conference last week, when he also put obstacles in the way of two other manifestations of the isolationist movement which is gathering speed in Congress, if not in the country. He said that he did not think it would be desirable to cut off all trade between the free world and Communist countries, thus indicating that he would be prepared to take a firm stand should Senator McCarthy press this issue to a conclusion. And, more important, the President answered in detail the challenge of Senator Taft's Cincinnati speech, making it clear that if it came to a choice between the alliances of the United States with other countries and his own alliance with Mr Taft, he would put international co-operation first.

When read in full the Senator's speech is not so frankly isolationist as it seemed from the first reports of his suggestion that the United States should withdraw from the Korean peace negotiations if the present talks broke down. But his sceptical remarks about both the United Nations and the North Atlantic Treaty Organisation came at a time when they could do most harm, not only to the hopes of peace in Korea and of a constructive outcome to the Bermuda conference, but also to the spirit in which Congress will consider appropriations for foreign aid. This week's compromise over Communist China and the United Nations provides the clearest possible example of how Congress, through its ultimate financial authority, can frustrate the President's constitutional responsibility for the foreign policy of the United States. For this reason the President cannot "go it alone" without Congress any more than the United States can "go it alone" without allies. But the feeling has been growing that President Eisenhower has been too ready to make concessions to Congress in general, and to Senator Taft in particular, and that he is forgetting why he, and not Mr Taft, was given the Republican presidential nomination last year. Last week's evidence that the President is prepared to exert his authority, when forced to do so in defence of his principles, was therefore greeted with much relief, not least among the many internationally-minded Republicans.

Congress Counts the Days

WITH Senator Taft away from Washington last week, the other Republican leaders were playing with the idea that Congress might not only go on holiday at the end of July, but might actually adjourn until next January, thus abandoning the Senator's plan for an autumn session. The proposal will hardly appeal to Mr Taft, for his influence on the Administration will be less when he cannot call on Congress to back him up. Moreover, he is commendably eager that this Republican Congress should make a record of which the party can be proud. Next year Congress will be caught between the usual spring rush of appropriation Bills and the November election; a session in the coming autumn now offers almost the only opportunity for constructive work.

For in its first five months this Congress has accomplished very little; only 41 public bills have been sent to the White House, just half as many as Mr Truman's 1948 Congress had dealt with by this time; of these only one, the offshore oil Act, is a major piece of legislation. And now that Congress is counting the days until it can recess, it is obvious that much of even the modest programme that President Eisenhower set for it will have to go back on the shelf. Something may be rescued from among the plans for statehood for Hawaii, changes in the immigration laws, customs simplification and so on, but it will be very little. The President will even have to exert himself if he is to get the excess profits tax extended, although here the obstacle is not lack of time, but obstinate opposition in the House Ways and Means Committee.

Both the House Appropriations Committee and the Administration have done their best, or worst, to put the principle of economy into practice, but now that the appropriation Bills are getting on to the floor of the House, constituents are, as usual, coming before principles. A dam is being added here, a school there, although not perhaps as liberally as in the past, and consciences are being soothed by the thought that money can surely be saved on foreign aid. The authorisation for this aid is one of the Bills that the Republican leaders are agreed must be dealt with before Congress goes home; others are the extension of the Trade Agreement Act and of the excess profits tax; and of course the twelve Appropriation Bills. The House has finished with half of these, but the Senate has hardly begun.

The Administration is, however, apparently prepared to excuse the Legislature when this minimum has been finished, for it is as anxious to have a holiday from Congress as Congress is to have a holiday from Washington. Relations with Capitol Hill have been more difficult than had been expected, partly because of the political inexperience of many of the new officials. And heads of executive agencies, like their Democratic predecessors, have been spending far more time in congressional committee rooms than they can spare from their desks.

More Power for Mr Dulles

THE President's two schemes for reorganising the administration of the foreign assistance and international information programmes, which will come into force at the end of July unless disapproved by Congress, are only stop-gap measures to remedy the most pressing inefficiencies. A complete reorganisation of the conduct of foreign affairs, which will require specific legislation, is promised next year. The chief purpose of the new proposals, apart from concentrating related activities in single agencies and thus improving co-ordination, is to confirm the Secretary of State's ultimate responsibility for foreign policy under the President's control, but to take away from him the immediate responsibility for administrative details

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which has so often involved him in congressional controversy.

This has, of course, been especially the case where the overseas information programme is concerned, since it has recently been under constant fire from Senator McCarthy. Whether the new system will work any better than the old in this field depends mainly on whether the Senator lets it. But at least the opportunity for a completely fresh start will be provided by the establishment of a new United States Information Agency, separated from the Department of State and taking over the international information activities of other departments as well. The new agency is to report to the President through the National Security Council, which should ensure that it does not work at cross-purposes with American undercover activities in foreign countries, and the Secretary of State is to supply "full guidance concerning the foreign policy of the United States."

It is also provided that the heads of both the Information Agency and the new Foreign Operations Administration are to be men who have the full confidence of the Secretary of State, which means that Mr Dulles will have veto power over these appointments. This, and the fact that the Director of the Foreign Operations Administration is to be guided in policy matters not only by the Secretary of State but by the Secretaries of Defence and the Treasury, means that the holder of this new office will have less independence than the Director of Mutual Security whose functions he is taking over. But that Director was made immediately responsible to the President by a Congress which distrusted the then Secretary of State, Mr Acheson; there is not now likely to be much objection to making Mr Harold Stassen subordinate to Mr Dulles. And the new Director will have more operational responsibility than the old; for he is to be in charge of all programmes related to foreign aid, such as technical assistance and help for refugees which have until now been administered by the State Department.

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Petroleum Seeks Protection

THE chances that the Reciprocal Trade Agreements Act will be extended for one year, in substantially its present form, as the President wishes, rather than with the restrictions contained in the unsatisfactory Simpson Bill, have been much improved by a compromise version which has been worked out between the White House and Republican leaders in Congress and which it is hoped can be pushed through quickly. This does not, however, mean that the last has been heard of the drastic quota restrictions which the Simpson Bill would impose on imports of both crude and refined petroleum. These have long been demanded on every possible occasion by the so-called independent oil companies, who have no overseas interests, and on this occasion additional fuel for their arguments was provided by an unusually mild winter and the expansion of domestic petroleum capacity. Together these have meant that, although the demand for oil products continues to grow, it has been temporarily overtaken by supply; domestic production has been cut by 350,000 barrels daily since January, and imports have also been reduced, voluntarily.

Many of the sessions of the House Ways and Means Committee, when it held hearings on the Simpson Bill, were devoted solely to arguments for and against restrictions on oil imports. Evidence was given on the one side by independent oil producers, by coal interests and by railway officials, and on the other by the major petroleum companies, who are not only producers but also refiners, overseas as well as at home, by industrial users of fuel oil, by farm groups and others concerned with foreign trade, and by government spokesmen. Domestic oil and coal producers said that development of the country's fuel reserves was being held back because cheap imports depressed prices, while the major oil companies replied that a reduction in imports would eat into reserves, raise prices, harm foreign trade and endanger national security. They pointed out that the United States has been a net importer of oil for several years and now consumes close to 8 million barrels daily, but has a productive capacity of under 7 million barrels a day.

The basic argument over whether it is better to concentrate on developing America's own limited reserves of petroleum at full speed, or on an orderly programme of "supplement but not supplant," combining foreign imports with a gradual increase in domestic production, is not a new one. Independent producers have, however, received little encouragement in their demands for restrictions on imports from either the past or the present government, for both have been mindful of the repercussions on wider issues of foreign economic policy, and of the continually growing American need for raw materials. But the Eisenhower Administration seeks to soften its opposition by advising domestic producers who can prove they are being damaged to seek relief from the Tariff Commission, and by urging importers to use "industrial statesmanship."

The World Overseas

Japan's Economic Prospects

FROM OUR TOKYO CORRESPONDENT

THE State Department's pledge to maintain dollar spending in Japan "at a relatively high level" for another two years, even if peace does break out in Korea, has infused fresh hope and life into the always Micawberish philosophy of the Tokyo politicians and the Osaka industrialists. Presumably this continued aid—or Washington Danegeld, as some cynical Japanese call it—will take the shape of procurement orders for the rehabilitation of Korea, off-shore defence purchases, and Point Four buying from Japan for South-East Asia. No one can pretend, however, that the first will adequately replace the demands of war, while the second remains a highly speculative quantity, vulnerable to the changes of American policy. The scope of the third is unknown, although the Japanese are suspicious of a diffusion of American aid throughout the Orient, on the theory that the same amount of butter may be spread more thinly. They are, for example, frankly disturbed at reports that the Americans have just placed a munitions order for $5,800,000 with the Chinese Nationalists to help the economy of Formosa and, for the same reason, are considering placing relatively small similar orders in Siam and the Philippines. Some non-American Western observers here suggest bluntly that the shock of competition would do more to shake Japan into realistic efforts to cut costs, rationalise methods and stand on its own feet than open-handed American offers of aid that smack of anxious bribery.

The first draft of the long-awaited Nathan Report on Korea has estimated that an expenditure of $1,700 million would be needed to make South Korea self-supporting by 1959-60, with an expenditure of $400 million "in the immediate future." On paper the UN Korean Reconstruction Agency (UNKRA) has now a budget of $70 million up to the end of June (of which half has already been disbursed) and of $130 million for the year beginning in July. Only a proportion of this will be spent in Japan—on orders, it is calculated at the moment, amounting to $40 million. This is small beer beside the $800 million now being spent yearly in Japan on goods and services for the UN forces in Korea, on the American security forces in Japan and on other American purchases.

Japanese leaders of heavy industry hope that, by some miracle, the Communists will agree to elections for a unified Korea. Should Korea be unified and elections be conducted by the existing or a reshaped UN commission, the tremendous task of rehabilitating North Korea's shattered industrial complex—estimated to cost at least $10,000 million—would presumably become a responsibility of the United Nations, instead of the Chinese (as under repartition), with consequent heavy pickings for Japanese heavy industry.

Japan's Economic Counsel Board is still uneasily uncertain of the amount of rearmament which it must yield in response to impatient American urging. It has high hopes of securing American technical aid in advice and modern equipment, as well as dollars, for a general switch-over of its expanding munitions industry from Korean war orders to the needs of Japan's own defences. A request has been made for permission to send a large Japanese team of technicians to the United States to study American techniques in arms production and to organise technical liaison between the armament industries of both countries. This request is not without its embarrassments for the Americans, who are pressing for swifter Japanese rearmament but remain dubious about entrusting Japan with some highly specialised technical secrets which are revolutionising American weapons and production.

The Economic Counsel Board has succeeded in angering both the influential Federation of Economic Organisations (Keidanren) and the militarists by heavily cutting down their respective blueprint proposals for rearmament. The table below gives the competing blueprints in rough outline:

BLUEPRINTS FOR REARMAMENT

	Militarists' 3-year plan	Keidanren 6-year plan	Economic Board 6-year plan
Army	300,000 men (with equipment for 600,000)	300,000 men (with equipment for 600,000)	175,000 men (with equipment for 250,000)
Navy	220,000 tons (three light cruisers, 96 destroyers)	300,000 tons (based on destroyers)	220,000 tons (based on destroyers)
Air Force	2,500 fighters and 500 medium bombers	2,800 fighters and 900 medium bombers	1,200 planes, "mostly fighters"
Estimated cost	No estimate available	2,900,000 million yen	1,222,000 million yen

By the operation of some esoteric and undisclosed formula the Keidanren proposes that the United States should contribute 1,270,000 million yen to its plan; the Economic

Counsel Board puts the contribution, on its more modest scale, at 270,000 million yen. A final decision on the competing blueprints has been postponed by party intrigue and wrangling.

Fundamentally, Japan's difficulties, of course, are simple and back-breaking: costs are too high, hungry mouths are too many, markets are too few. These difficulties are not remedied, but rather obscured and worsened, by disguised charitable handouts, which encouraged the honourable Micawbers in the Treasury to postpone realistic action. Costs, however, can be cut only if equipment is modernised, with consequent incitement—never very necessary in Japan—to staff retrenchment, which in turn must provoke industrial unrest, already strong and mounting.

The Lure of China Market

Finally, if "trade not aid" is even more applicable to Japan than to Britain, the Osaka signposts point with strengthening persuasion to Communist China. There have been several recent indications of the evergreen appeal of the China market. A special survey of China's Five-Year Plan by the Economic Counsel Board points out that Japan can contribute, heavily, swiftly and continuously, the capital goods and industrial equipment needed for that plan in exchange for cheaper raw material supplies than are now available from the non-Communist world. Envious notice has been taken in Osaka of Britain's recently increased trade in non-strategic goods with Red China. There have been record applications, now totalling 300, from manufacturing concerns for representation at the series of China-Japan trade exhibitions which are being organised for display in China in the autumn by the China-Japan Trade Promotion Association. There has also been a temporary withholding of orders for coal from the United States, while the "Big Three" iron and steel manufacturers—Yawata, Fuji and Japan Steel Tube—seek to place preliminary orders for 610,000 tons of Kailan coal with China, at an estimated cost of less than $11 a ton, in exchange for galvanised iron sheets.

Meanwhile, South-East Asia remains a glittering disappointment to Japan. Heavy industry has not recovered from its shock at the abrupt breakdown of the ambitious plan to build a joint iron mill in co-operation with the Indian Government at Orissa. Despite Delhi's denials, the conviction persists that wicked British machinations were directly responsible for this surprising setback to an experiment in Oriental partnership which Japan hoped would set a popular precedent throughout Asia.

The Sick Man of Europe

FRANCE is one country where to become prime minister is neither a difficult nor a happy achievement. At present, in fact, there is a shortage of eligible suitors in the house of the political Bluebeard, for each candidate knows that the National Assembly has already buried seventeen of his predecessors. Whatever his party or programme, a prime minister in the Fourth Republic faces the same fundamental problem: on national and foreign affairs the French are nearly anarchists, but when it comes to local politics or vested professional interests, their political passions run deep and with a short-sighted tenacity. France is very much the homeland of Proudhon, a political theorist with a distrust of the state and a belief in the role of the local political unit and commune which are equally fierce.

The French parliament is an assembly, but not properly a national one. It represents complex alliances of local interests, of professional groupings or religious affinities. The centre is shifting constantly and subtly from a non-existent political pole either to the traditional Jacobin left represented by the Communists, or towards the right with its disordered Gaullist ranks and its memories of a royal and Catholic past. The coalitions which have allowed successive cabinets brief spells of office do not represent a real coherence of views but rather a temporary armistice between traditional opponents. As a result, the French parliamentary system does not work.

Although the disunity of France under the Nazi occupation was obviously due to military defeat and the tragic failure of prewar foreign policy, it also reflected a genuine national state of affairs. This is a very unpopular view but it corresponds to the facts. Since the time of the Commune, and, much later, of the Dreyfus affair, France has been a house divided against itself. Instead of trying to do something about it, moreover, the constitution of the Fourth Republic has given every advantage to the French instinct for political levity and fickleness. It has allowed the National Assembly to hold a whip-hand over a feeble executive, and at the same time it has allowed the executive to interfere frequently with impunity in financial affairs, giving a political adjunct to inflation. In its traditional fear of Bonapartism, the French constitution has left little power with the President of the Republic and it is entirely M. Auriol's personal gifts that have restored prestige and significance to the Elysée. Finally, the French electoral system is a triumph of ingenuity over good sense and is calculated to produce anything but a clear expression of the national will, even if the latter existed.

Plain Speaking From M. Reynaud

Many French politicians know these things, but few are prepared to say them, and often the Communists have had a monopoly of frankness. If it has done nothing else, however, the present crisis has provoked the refreshing spectacle of the National Assembly being told off by one of its most experienced leaders, M. Paul Reynaud. When he was asked to form a government last week, M. Reynaud had few illusions about his chances of succeeding. He preferred to use his brief appearance on the stage for a severe and brilliant set piece on the state of the Fourth Republic. M. Reynaud postulated that it was no use trying to govern France until the constitution was revised so as to guarantee a cabinet a minimum of eighteen months in office. In the event of a crisis before this term expired, the government would have the right of dissolving the Assembly. To a thunderstruck house M. Reynaud also asserted that France was in need of an overhaul comparable to, if not greater than, that of the French Revolution. He alluded frankly to France's economic stagnation, particularly in housing and agriculture. Throughout his analysis, M. Reynaud implied that the British political system was a worthy goal for French reformers, and in a noble tribute he spoke of the English as a people to whom no one could give lessons in democracy.

Unfortunately, M. Reynaud's analysis was an academic rather than a practical exercise. As soon as he had concluded, it was clear that the Assembly would not allow him to carry through his programme. Furthermore, M. Reynaud's eloquent voice recalled memories of a terrible past more than it invoked hopes for a sounder future. It was the voice that had spoken far less clearly in the hour of France's defeat in 1940 and to many Frenchmen M. Reynaud is not a prophet but a grave-digger. Moreover, as his parliamentary opponents were quick to point out, M. Reynaud did not deal concretely with France's social and economic illness. To do so would have meant giving a description of present-day France. Half the population lives by agriculture, presses for high food prices and stores its money in the cellar. The other half clamours for every form of social security benefit and subsidy in order to offset high food prices. Neither half pays taxes if it can in any way avoid doing so. And if the government suddenly wished to puts its fiscal house in order, it would have to haul a major fraction of the population into court. There, moreover, French legal practice would see to it that years elapsed before a case was ready for hearing. A point has been reached in French political life where there is a dangerous choice between two unsatisfactory roads: either an insufficient measure of executive power is left in lawful hands, or a real executive is created unlawfully. This implies the possibility of a *coup d'état* and seems remote indeed. Nevertheless, observers agree that France is very much in search of a "strong man."

The present crisis has come at a particularly awkward moment for the rest of the free world. The Bermuda meeting may have to be delayed for lack of a French participant and there is no one to deal with the grave Indo-Chinese problem. In addition, the French Treasury is in desperate straits. Once again, France is jeopardizing not only itself but also its allies and invalidating its own claim—so justified on many counts—to be reckoned among the great powers and a leader in the life of Europe.

Birth Pangs of a Nigerian Nation

FROM OUR CORRESPONDENT

THE recent Kano riots in northern Nigeria were not riots at all. They were in no sense popular demonstrations against authority, but pitched battles between thousands of people—civil war, not window-breaking or stone-throwing. The main facts make this clear. Sabongari is the strangers' quarter outside the walls of Kano; it is customary in Nigerian towns for northern and southern peoples not to mingle. Twenty thousand people live there, predominantly Ibo, the thrusting, vigorous eastern peoples who, driven by land-hunger and lack of opportunities in eastern Nigeria, are rapidly overrunning West Africa. This community came into violent conflict with the adjacent quarter of the town proper, the Fagge area, mainly populated by Hausas. In a series of engagements nearly fifty people were killed, over two hundred injured and detained in hospital, and an unknown but very large number injured but not anxious for hospital treatment. Later there was an "exchange of prisoners" totalling several hundred men between the two sides. This means real fighting, and it was not pleasant. All sorts of weapons were used—firearms, bottles, sticks, stones, arrows, axes—and of the bodies recovered some had been partially burnt and sixteen castrated.

Already the casualties are the heroes of Nigerian nationalism, the victims and martyrs of imperialism. The southern politicians are trying desperately hard to impose on Nigeria and as much of the world as they can reach the view that the Kano events are the first engagement in the struggle with Britain for self-government. They suggest that the episode was engineered by a coalition of imperialism and feudalism in the north, and that the violence was organised by agents of the present northern political leaders with the connivance of the British administration and at the instigation of the Governor himself, in order to cover up his failure to control the pace of Nigerian nationalism, to prove that Nigeria is not ready for self-government, and to prepare the way for a separate British North. This is what will probably be taught in the Nigerian history textbooks of tomorrow.

Mr Awolowo's Campaign

But the occasion of the fighting was a proposed meeting in the political campaign being carried out in the north by leaders of the Western Action Group party. This is not a campaign to win people over from another political party, but one with the avowed object of undermining the present system of government by chiefs. It is a political Jameson Raid, with Mr Awolowo in the role of Cecil Rhodes.

But the able lawyer Awolowo is rapidly becoming the astute Bismarckian politician, and as he can alternatively blame the British and the northern rulers for what has happened, the fighting is not a setback for him. He and Dr Azikiwe are turning the emotion it has engendered against Britain. The result is a growing demand for direct action. Nigeria is bursting at the seams, and with the country not impossibly on the verge of a colonial war of independence plus civil war, far too few Nigerians are working for peace. The situation is likely to remain tense, as the Coronation festivities are to some extent acting as a provocation to nationalist and anti-British feeling. Moreover, the Moslem fast of Ramadan (due to end on June 13th) is always a trying time in this tropical environment and involves concentrations of Moslems and northerners all through southern Nigeria.

Against this background it was wise of the Colonial Secretary to try to transfer discussions away from Nigeria, and his announcement that talks would be held in London did to some extent place the initiative back in British hands. But the manner of the announcement was maladroit, since the Colonial Secretary is no longer in a position to say that discussions "will be held," to discuss federation or any other solution; he can only *invite* Nigerian leaders to put their views before him without assuming those views will be what he wants to hear. The invitation will probably be accepted on conditions not yet fully known. They can hardly be less than a pledge of self-government, in some shape or other, by 1956. Even if the representatives were prepared to go to London without making this plain, they could not return to Nigeria empty-handed. The south wants complete autonomy from Britain; the north requires its own national self-identification against the south. The easiest bargain to strike would be a free hand for Nigerians in southern Nigeria, in return for guarantees on the status of the north that will satisfy both the north and Britain.

This is not an ideal solution, as it is less than the south's total demands and would still leave fruitful causes of dissatisfaction there. It is, moreover, based on what may prove

to be merely an impermanent combination of the political kaleidoscope—the gap between north and south is not much greater than that between east and west. But to people on the spot, it seems too late for Britain to try to hold up the march of events. The discussions in London, if they take place, should, ideally, lead to a slackening of tension and pave the way to more detailed consideration here of the future machinery of government of an independent Nigeria.

Eve of Poll in Italy

FROM OUR ROME CORRESPONDENT

THE atmosphere on the eve of the Italian elections indicates that the result will be a close thing. By "result" is meant not who will come top of the polls, but whether Christian Democracy and its friends will do so with more or with less than 50 per cent of the votes in their pockets. This feeling is borne out by the history of the past five years. In 1948, the Centre combine got approximately 60 per cent of the votes; in the local elections in 1951-52 it got 52 per cent. Comparisons between national and local contests are of doubtful validity since each calls forth different sorts of response. In any case, however, the local elections do show that five years in office in Rome have lost the Centre parties (and this means above all the Christian Democrats and the little band of Republicans, the only two parties to stay in the government throughout the course) a good deal of favour.

The Centre candidates display a rather forced lugubriousness, predicting at best a very near shave. This is their way of whipping up the 30 million strong electorate to turn out in full force—elderly rentiers, pillion-girls, playboys and all, besides such reliable elements as nuns of the enclosed orders. They are afraid lest the peasant and small middle-class and partly working-class backbone of the Centre be left unsupported to cope with the all-too-disciplined flocks of Togliatti and Nenni. The opposition parties, Right and Left, incline on the contrary to minimise their own hopes. They would far sooner that the electorate widely believed the Centre block to be too well-assured of its 50 per cent prize to need the suffrage of the tired, the bored, and the lazy.

Church Support for Centre

Forgetting some disappointments with Signor De Gasperi's policy and some hankerings after a strengthened Right Wing in the person of the Monarchist Party, the Church, through all its organs of persuasion, has once again done the Centre proud. One Episcopal Congress after another has issued resounding admonitions to the faithful to vote, and not disperse their votes, that is, not to give them to anyone outside the Centre combine. There is a general feeling that the new look in international affairs has helped the Nenni Socialists, who are this time presenting separate lists from the Communists, by encouraging an impression that a connection with Moscow, especially if it does not go quite the whole Communist hog, is no longer tantamount to rebellion against an ideologically united western world. If the extreme Left and its hangers-on get nine million votes it is thought conceivable that more than half might go to Nenni's party. If the extreme Right get as much as three or four million votes, the greater part, it now seems, will go to the Monarchists. (The main direct opponent of these last, other than the Christian Democrats, are the Liberals.)

If 27 million or more go to the polling stations and do not spoil their papers, this would still give the Centre room for overtopping fifty per cent of the total national electorate. Italy would then be set for a further term of Signor De Gasperi's somewhat haphazardly reforming centre administration, with continuity in home and international affairs. But should the result be a mere 49.9 per cent of the national vote for the Centre, there would be a prospect of what Carlos Levi, the novelist, has called "fruitful instability"—that is, of negotiations for a collaboration of Christian Democracy either with Nenni or with the Monarchists, and a likely disruption of all the parties concerned, doubtless with a new election round the corner. The elections simultaneously taking place for the Senate are far too inscrutable—if only because of the extreme complexity of the senatorial electoral law—to give ground for any predictions at all here; and a certain instability, fruitful or tumultuously barren, is all too likely to emerge on that sector.

Calm and Caution in New Zealand

FROM OUR WELLINGTON CORRESPONDENT

MR HOLLAND departed for the Coronation leaving an outward appearance of political calm behind him and with the knowledge that New Zealand's immediate problems could fairly safely be left to look after themselves until he returns some time in July. In order to clear the way for the departure of the Coronation delegation the House of Representatives met early for a three weeks' session in which it disposed of the Address-in-Reply debate, passed the necessary votes to carry on the affairs of government, and dealt with a very modest measure of strictly non-controversial legislation. Mr Holland and Mr Nash will return to face a re-assembly of the House in August, when it may be expected that the first ranging shots in the pre-election year battle will be fired.

The New Zealand Labour party recently concluded its annual conference with a vigorous reiteration of its confidence that it will win the next election in November, 19[illegible]. But, although there is no doubt that the National Party government has lost a good deal of its popularity, it has no reason to be unduly disturbed by the Opposition's sound and fury. Mr Holland has a very comfortable majority of 20 in a House of 80, and though this is certain to be reduced, Labour will have to score more points than it has done so far if it is to return to the Treasury benches. The present Opposition is over-weighted with veterans and there is, at the moment, little sign of either new men or new policy to give it fresh vigour. Mr Holland has profited accordingly.

The measures taken by the government to restore New Zealand's balance of payments position and build up overseas reserves are now bearing fruit. The last published figures show a favourable balance of £26,323,000 for the January-March quarter, compared with a deficit of £8,221,000 for the corresponding months of 1952. Net overseas assets rose from £66,800,000 in December to £94,800,000 in February and to £103,000,000 by mid-April. The rationing of overseas exchange and other restrictive measures brought the value of private imports down to £10,700,000 in February, the lowest level recorded for several years. In February last year they were running at the rate of £23,100,000.

Currency rationing and the general tightening of bank credit has not endeared Mr Holland's government to sections of the business community. Nevertheless, it is doubtful whether many of these critics will carry their opposition to the length of voting for Labour at the next election. The same may well be true of a number of the government's farmer critics. The Land Settlement Act, passed last session, which gave the government increased powers to enforce the subdivision of land and which enforced residential qualifications for landowners, caused considerable resentment on the grounds that it interfered with the rights of private property owning and that it had been imposed arbitrarily on the farming community. In the final outcome the powers involved in the measure were considerably reduced, and although the bitterness it aroused has not been forgotten, it is mellowing.

Mr Holland has been at some pains, behind the scenes, to allay the irritations of farmers. The government has now agreed to step out of the coming season's meat price negotiations with the United Kingdom and to leave them to representatives of the producers. It has also skilfully kept the ball in the air as regards the producers' demands for greater control of their own accumulated reserve funds.

Labour and Labour Party

One of the government's most pressing problems is the growing restiveness of the Federation of Labour over the disparity between farming incomes and trade union wages. The powerful leader of the federation, Mr F. P. Walsh, made it quite plain, at the recent annual conference of his unions, that they expect a revision of the present stabilisation regulations in order to give the Arbitration Court more freedom in fixing wages without regard to general economic factors. Mr Walsh's complaint is simply that the farmers are receiving too large a share of the national cake and that the trade unions are entitled to more of it.

The rift between the Federation of Labour and the parliamentary Labour party over the divergent policies pursued by the two sections towards the 1951 waterfront strike has ostensibly been closed, but it is still evident that the federation has no intention of being dragged at political Labour's chariot wheels. It is carrying out its own bargaining with the present government and doing it fairly successfully. Mr Holland knows that so long as he plays ball with the federation, the present unusual industrial peace in New Zealand will continue.

There are, however, danger signs on the horizon. New Zealand wool producers are well aware of the possible effect of a Korean peace upon world prices. American measures to shut out imports of New Zealand dried milk, the United States' total prohibition of imports of New Zealand butter, and the obvious misgivings of the Americans about accepting even small imports of New Zealand meat have all underlined New Zealand's dependence upon the United Kingdom market.

The farming community does not appear to have made up its mind whether, when the present bulk purchase contracts with the United Kingdom expire, it wants them revived on substantially the same terms. There is, however, a very strong allegiance to the principle of stabilised primary produce markets and it is likely that when the New Zealand negotiators go to London this year to discuss new arrangements for dairy products and meat they will make security of markets their first consideration. New Zealand's ambitions to break into the North American market have been diminished by recent developments. This does not mean, however, that the United Kingdom will be able to deal with New Zealand on its own terms. The opinion that Britain has bought New Zealand farm produce cheaply, by world standards, and sold its own manufactured goods in New Zealand at advantageous prices is strongly held. New Zealand will expect some correction of the terms of trade when it goes to the conference table.

Intrigue in Jakarta

FROM OUR CORRESPONDENT IN INDONESIA

THE fall of Dr Wilopo's government in Indonesia this week is a fresh symptom of the struggle between the supporters of President Sukarno and the growing strength of the opposition, of which the Masjumi and Socialist parties form the core. The President and the Nationalist party (PNI) have so far been the main elements behind each of the governments of the past three years. One of the most direct but so far abortive attempts to undo this influence sprang out of the intricate tangle of intrigue around the half-hearted and only half-intended attempt at a *coup d'état*, known as the "October 17th affair" which took place last year. This was followed in January by the resignation of the Minister of Defence, the Sultan of Jogjakarta, a man who had played a leading role in the war of independence against the Dutch.

There has, however, been no decline since January in the activity of those concerned in the affair—and on the part of those who seemed to have no concern in it at all. A further crisis developed when Lt-Col. Sudirman, self-appointed army commander in East Java, presented an ultimatum to the cabinet demanding positive steps against the sponsors of the October 17th coup and the handing over of the investigation and the prosecution to the supreme military court. Yet if any persons deserve to feel the strength of the law it is Sudirman and those other officers who mutinied against their properly appointed commanding officers and seized power themselves. Sudirman installed himself as commander of the fifth territory (East Java) by deposing and arresting Lt.-Col. Suwondo. Similar coups took place in Macassar and Palembang. Secret couriers passed to and fro between the mutineers and their friends in Jakarta. The government took no action save to appoint Col. Sadikin as commander in Macassar, a hollow appointment since he has not been to his new post and has no intention of so doing. The mutineers installed themselves and received, apparently, *de facto* recognition from the central authority. They tasted power and enjoyed it. They feel that any investigation directed against those who held command before October 17th will strengthen their own position. Sudirman appears to have thrown in his lot with the PNI but both he and Col. Warouw in Macassar are pursuing a purely opportunist policy.

It is vain to look for a pattern of events in the October 17th affair and for a persistent and subtly pursued policy.

Most of the participants have been prompted by individual fear for their position and authority and have grasped at the first helping hand. But the roots of the affair can be said to lie in the following factors. First there is a fundamental difference of opinion as to the function of the army between those (the Sultan of Jogjakarta, Major-General Simatupang, and others) who want a small, skilled and disciplined force and those (among them the President) who favour a large, ill-disciplined " People's Army " based on guerilla methods and organisation. Second, there is the President's fear of the Sultan of Jogjakarta's power. Third, there is the fear of a group of army officers that, under the Sultan's schemes, they would lose their jobs. To this must be added the fear of the undesirables among the rank and file that they too would be " rationalised " and lose a profitable occupation of near-banditry. And fourth, there is the PNI's fear of the influence of Sutan Sjahrir, head of the Socialist party, in the Ministry of Defence and of his friendship with the Sultan.

The aftermath of October 17th gave the PNI and the Communists the opportunity to attack four persons whose positions they had long desired to undermine. These four were the Sultan of Jogjakarta ; Ali Budiardjo, Secretary-General of the Ministry of Defence ; Major-General Simatupang, and Sutan Sjahrir. Taking full advantage of these developments and manipulating quietly behind the scenes was the President, intent on reviving his dwindling influence and not unhappy to see political forces ranged against the potentially powerful Sultan and against Sjahrir, whose pungent criticisms he has long disliked.

Resignations and Inquiries

As a result of prolonged intrigues, both the Sultan and Ali Budiardjo have resigned from their posts and the latter has departed to England for a short period of study. Simatupang remains in his post although surrounded by a new clique of staff officers. All three have voluntarily appeared before the Attorney-General to make statements on the October 17th affair, though rumour has it that Ali Budiardjo's interview bordered on the farcical since he merely wished to inform the Attorney-General that he knew nothing about the matter. Sutan Sjahrir remains aloof, unperturbed and unexamined ; assailed and slandered in the left-wing press, accused and denounced by the army mutineers but, none the less, unperturbed.

The issue lies at present between the cabinet and the army (or rather some of the factions and territorial commands which constitute the army), with parliament as a bystander. During the parliamentary recess there were rumours that the cabinet would resign. But after parliament reassembled on May 4th only one minister, Tjokroaminoto, relinquished his post. There seems indeed, no logical reason why the Wilopo cabinet should now have fallen. It was not efficient, it was making little headway in tackling the country's problems, its policy often appeared singularly inept. But almost all the political parties were quite happy with it, and that is what counts in parliament.

The Communists have done rather well out of October 17th. Several of their most able opponents have been forced out of office, and their influence in the PNI has given them increased power in the new army set-up. This must be a considerable comfort to set against the apathetic display by the massed workers on May 1st. But the Communists have not shown themselves very expert at exploiting the favours flung to them from the PNI ranks and, at present, they are in some confusion. The cries for a popular front mingle discordantly with execrations against the Socialists and, though their political pickings have been tasty, they are still only a nice cut of the PNI's joint. Any directly pro-Communist measure comes to grief or runs up against Indonesia's most highly developed technique, that of eternal delay.

Steel Prices in the Community

WHEN the Coal-Steel Community opened its common market in steel on May 1st there were appreciable differences between steel prices in the six countries, and many people watched with interest to see if the *gleichschaltung* would take the form of equalising prices upwards or downwards. In fact, nothing quite so simple as either of these extremes has occurred. In some countries prices have risen and in others they have fallen, but even where the general tendency is upward some reductions have taken place for certain qualities of steel. By and large it is probably fair to say that average steel prices are a little higher than they were. The High Authority does not regard this movement as incompatible with its long-term aspiration to reduce prices, since many of the present adjustments would have happened even in the absence of the new Community.

Until now French steel was among the cheapest in Europe, but it was generally agreed that this was largely due to the fact that French prices did not contain an adequate allowance for depreciation and replacement. This short-sighted policy sprang from the immediate political needs of the French economy. At the insistence of the French government every possible step was taken to hold down the French price level. Belgian home prices, too, were held at an artificially low level in order to benefit the domestic user, a subsidy that was paid for by the consumer abroad in the shape of high export premiums. These premiums have now disappeared because foreign markets have softened and because the articles of the Community forbid " double pricing " among members. German prices, on the other hand, were among the highest—the result mainly of a conviction on the part of German industrialists that investment resources would not be obtainable on the open market and that the necessary funds would have to be provided out of company profits.

The new price schedules, published on May 20th, represent a compromise. French steel prices have risen by from $3.00 to $5.45 per ton. The Germans have lowered prices by from $1.60 to $6.50—although German consumers protest that the addition of special premium charges have all but wiped out these reductions. Belgian, Luxemburg and Dutch prices have risen, while Italian have fallen.

At the same time the Community has adopted a modified system of basing point prices. Under this arrangement the steel consumer is no longer quoted a single selling price. He can take his choice of steel from any basing point (there are over 20 of them) in the common market. Another novel and competitive feature of the new system is that any producer can lower his prices in order to compete with any other producer, even when the latter is better placed from the standpoint of delivery costs.

Shrink Fit



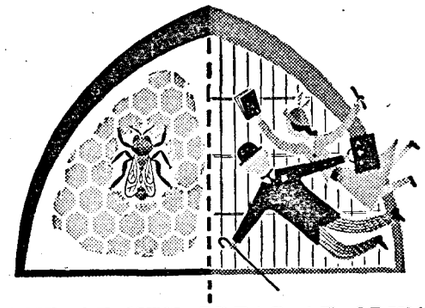
AT an engineering works in the Midlands, a 2,000 ton hydraulic forging press had to be overhauled because of wear. The firm decided that a good way of effecting repairs would be to " shrink fit " new parts in place of worn ones. A metal part to be fitted by this process is deliberately made a precise amount too large. When extreme cold is applied the part shrinks and can be fitted into another. The metal expands as the temperature rises to normal and a very tight fit is thus ensured.

The firm therefore consulted I.C.I. Billingham Division who make " Drikold "—a solid refrigerant which, with a temperature of minus 110°F., is a convenient means of producing extreme cold. The main part of the problem was to shrink a hollow steel cylinder weighing 7 tons and fit it into the body of the press. The firm made the necessary preparations and provided lifting tackle, whilst an I.C.I. man supervised the shrinking. This was done by closing the cylinder at one end and filling it with 80 gallons of methylated spirit and 1,400 lb. of " Drikold." Five and a half hours later, at a temperature of minus 95°F., the cylinder had contracted by 30 thousandths of an inch. It was then hoisted into position. This completed one of the biggest shrink fitting jobs ever undertaken.

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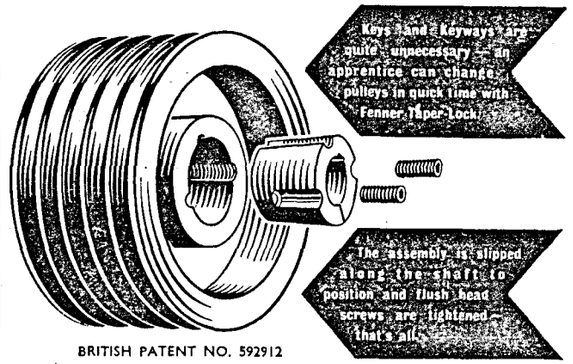
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THE BUSINESS WORLD

Strategy for Sterling

AMONG the hoary revivals of the present time is the story that whenever four or five economists are gathered together, there will be at least six or seven conflicting expressions of opinion on the future of Britain's foreign exchange policy; and that at least three of them will represent the considered view of Her Majesty's Treasury. This may be an unfair commentary on the way in which the Commonwealth's famous "plan" for sterling convertibility has had to be steered since it was launched at the Prime Ministers' Conference exactly six months ago. But when those Prime Ministers met again this week, at a more informal conference in which economics no longer took the high order of precedence of last December, the prevailing atmosphere among the delegates must have been one of friendly bewilderment. The mood of the conference can perhaps best be summed up by a metaphor from the recent military past. Last December it was argued in these columns that the Commonwealth conference was meant to be "a Casablanca, not a Dunkirk" for foreign exchange policy; six months later it looks instead as if that policy is at the intermediate stage of Lofoten, North Africa and (though the parallel is an unhappy one) Dieppe.

This, therefore, seems to be the right moment to look again at the rather confused mosaic that emerged from last December's conference—in so far as the incomplete information available allows one to do so—and to consider why and how the pattern has changed since. The process involves re-tracing some familiar ground, but that is a small price to pay for any diminution of bewilderment. And in the recent series of financial discussions with European countries—the French, Scandinavians, Germans and Belgians have been here in the last six weeks, and the Swiss, Dutch and Italians will follow them in the next four—bewilderment over the British Government's strategy for sterling has clearly been the order of the day.

December's Decisions

Three main groups of decisions seem to have been taken last December. The first was that the long-term problem of the dollar gap could be solved only by increasing the sterling area's production both of things that the dollar area was likely to demand in increasing volume and also (perhaps undue emphasis was laid on this) of things that the sterling area traditionally bought from dollar countries; in the latter category, special attention was given to increasing production of wheat, copper, zinc, aluminium, cotton, paper, pulp, and engineering products. Quite apart from the difficulty of releasing resources for increased production of these things, there was the problem that many of these products would necessarily be more expensive to make in the sterling area than in the dollar area. Since nobody could guess at what exchange rate production of these things (and of some existing sterling area staples) would be economic, it seems to have been decided that any significant advance towards lifting payments restrictions would have to be accompanied by the establishment of a floating exchange rate for sterling.

The second main decision at last December's conference was that any move towards freer trade should concentrate first on the lifting of payments restrictions rather than of import restrictions—in other words that the Commonwealth should concentrate on convertibility of sterling rather than on liberalisation of trade. It is important to make clear what was meant by "convertibility" in this context. Thanks to the extension

of the Bank of England's system of "administrative transferability" in the past three years, the sterling countries are now faced, in effect, by three different currency areas. First, there are the dollar countries of North and Central America that have to be paid for their exports wholly in dollars or gold. Secondly, there are the thirteen OEEC countries (and their associated overseas territories) that are paid for their exports in sterling, but can use that sterling either to purchase goods virtually anywhere in the non-dollar world or to reduce their net debits (or expand their net credits) in the monthly clearings at EPU, where settlements are partly effected in gold. Thirdly, there are some thirty non-dollar and non-EPU countries (which, for the purpose of this article, can perhaps most conveniently be called the "rump") that also receive payment for their exports in sterling and can use that sterling to purchase goods virtually anywhere in the non-dollar world. Convertibility would mean that the countries in OEEC and in the "rump" could use their current accumulations of sterling to buy goods in the dollar area as well as in non-dollar countries; but it would not mean that the sterling countries would lift their import restrictions sufficiently to enable these countries to earn more sterling to convert into dollars in this way.

This decision to emphasise convertibility rather than liberalisation of trade had at least one strain of sound logic behind it. If the countries of the non-dollar world removed restrictions on their mutual trade, while maintaining or intensifying restrictions on payments with the dollar area, there would be a danger that they would soon find themselves comfortably but unprofitably employed in taking in each others' washing; with easy markets in any and every non-dollar country (fed by a suffusion of sterling credits) delivery dates to the harder dollar markets would soon lengthen, sales in these dollar markets would be lost, and the dollar gap grow wider than ever. Allied to this sound and sensible apprehension, there was also a (probably chuckle-headed) belief by the British Government that "convertibility" would not hurt it much, because Europe and the "rump" would not have much current sterling to convert. By last December, the sterling area was back to solid current surplus with Western Europe—as the monthly EPU settlements showed—and it had also reached a state of record surplus with the "rump"; indeed in 1952, the sterling balances of these thirty countries in the "rump" ran down by £172 million, to £399 million—and nearly half the remainder consisted of the blocked balance in Egypt's account. There are grounds for suspecting, however, that in projecting these cheerful figures forward the British Government has consistently under-estimated the extent to which a dollar-hungry world would switch its imports from the sterling area to North American suppliers as soon as convertibility made sterling imports just as "hard" as dollar imports are.

Fears about the dangers of convertibility were, however, sufficient to bring about a third major decision at last December's conference. This decision was that sterling could move towards convertibility only if certain assurances and helpful actions were forthcoming from Europe and the United States. There is still some mystery about what was to have been required from Europe; in essence, OEEC countries were to be asked to ensure that they did not switch away from sterling to dollar imports on the immediate morrow of convertibility—but it is not clear how this safeguard was to be achieved (except that some OEEC countries were apparently to be asked to make their currencies convertible, too). The requirements from the United States are better known. They included liberalisation of American trade policy, arrangements for greater stability in American purchases of raw materials, and specific steps for encouragement of American foreign investment; in addition, the Commonwealth experts hoped that America would throw its decisive weight behind a campaign for more liberal "stand-by" credits from the International Monetary Fund and that it might agree to an increase in the dollar price of gold.

Three Dusty Answers

Such, then, was the famous "plan" of last December. In the past six months it has been mightily and perhaps irreparably buffeted from three sides. In the first place the Americans met the proposals pitched up to them by Mr Eden and Mr Butler with a disappointingly dead bat; the Eisenhower Administration has referred these proposals to two committees, neither of which will report until next year and one of which is almost certain to come out against any effective American action at all. Secondly, the "United Europe" school that has lately come to prominence in EPU attacked the proposals for convertibility from the outset; if sterling was made convertible, they argued, no European country would turn current accumulations of sterling into the EPU clearings, and the most important single instrument of European economic integration would thereby be smashed.

Thirdly, the governments in charge of the countries of Western Europe and of the "rump," who were supposed to gain most from convertibility, showed a singular unwillingness to welcome it. "A system of convertibility implying the continuation or tightening of trade and payments restrictions," said M. Mayer's Finance Minister last January "is not wanted." In view of growing fears of unemployment, almost all these countries are now more eager to be able to sell their products in the sterling area than to be allowed to purchase other products in the dollar area; in other words they are now much keener on trade liberalisation than on sterling convertibility—although this does not mean that they would not switch their imports from sterling to dollar sources if convertibility came about.

The British Government would hotly and justifiably deny that these three set-backs have obliged it to turn tail and flee from the "plan" of last December. But

they have obliged it to apply the brake on progress towards convertibility, and to press softly on the accelerator towards trade liberalisation; and under these two divergent impulses, the "plan" has certainly veered sufficiently to make it very difficult to interpret what the strategy for sterling is now. It is only in the light of this forced veering that recent British moves in the field of trade liberalisation, multilateralisation of payments and Commonwealth development can be even approximately understood.

Trends of Policy Now

In the field of trade liberalisation with Europe, the import relaxations announced at the end of last March raised the proportion of Britain's imports from Europe that are free from licences from 44 to 58 per cent; this compares with the minimum proportion of 75 per cent liberalisation recommended by the OEEC for solvent countries and with the 90 per cent liberalisation of imports from Europe that Britain had in fact achieved before the autumn of 1951, so that British imports from Europe are still much more restricted than they were before the last crisis. Moreover, the fact that fewer manufactured goods are now on open general licences than in 1951 has restricted manufactured imports from some of the countries in the "rump" as well. On the other hand, the re-opening—or schemes for the re-opening—of so many commodity markets in London has effected a greater liberalisation of British imports from non-European countries than is generally realised. For example, when the markets in grain, copper and sugar are in full operation, well over half of Britain's permitted imports from the dollar area will be "liberalised" in this way. The importance of this figure must not be exaggerated; the arithmetic is distorted by the fact that many imports of manufactured goods from the dollar area are totally banned, and the arrangements for free commodity markets are such that excessive imports into them (e.g. for speculative purposes) could swiftly be truncated from Whitehall. But the fact remains that a much larger proportion of Britain's imports from dollar countries is now dependent on the laws of supply and demand rather than on physical controls than at any period since the war; and since many of these dollar commodities can be re-purchased by European or "rump" countries through London with sterling, there has already been a significant move towards convertibility of a sort. And imports of raw materials from "rump" countries have been liberated at a swifter pace still; for example, just before the Coronation, it was announced that imports of raw cotton from non-dollar countries no longer required a licence.

This speedier liberalisation of non-European than of European imports (which previously had been well in the van) accords fairly well with the good intentions about "multilateralism" enunciated last December. Britain's influence in the field of exchange policy, as distinct from trade policy, has been exerted in the same direction. It is believed that the British Government has recently (albeit unsuccessfully) come out in favour of a higher proportion of gold payments, and a lower proportion of credit, in the monthly settlements at EPU; if ever American economic activity receded, and it became advisable to whip up discriminatory intra-European trade as a counter-cyclical device, Britain might rightly reverse this pressure—but that time is not yet. The reported refusal to extend bilateral lending and trading arrangements with Brazil (discussed in a Business Note on a later page) accords with the same policy of hard money in international trade; and the Government's refusal to create some special mechanism for encouraging long-term credits to soft currency countries is another case in point. Finally, the resumption of arbitrage dealings in the foreign exchange markets of Europe, in the preparation of which Britain has played the leading role, is another nail in the coffin of rigidly bilateral trade.

The schemes for development of the right type of production within the Commonwealth — and the question of whether these can be economic only if the sterling exchange rate is set free—are still in an embryonic stage, but Mr Butler's recent budget was designed (or at any rate meant to be designed) to encourage engineering production here. There have been heartening signs that the countries of the Commonwealth now find it profitable to buy British rather than American capital goods even at the present exchange rate; Britain's delivery dates are now much more competitive, largely because of the easing of pressure on order books that has followed from the downturn in world demand. The schemes for development of primary production in the overseas Commonwealth are still partly on the blueprints and partly in the air; but the damping down of inflation and of the most stridently uneconomic forms of industrial investment in the overseas dominions may make them easier to carry through.

All in all, therefore, the British Government—hampered by an original "plan" that can now be seen to have been too ambitious, and greeted by an even dustier welcome from America and Europe than it had expected—seems to have been making the best of a rather bad job. The Commonwealth Prime Ministers can return to their respective countries in a bemused but not despondent state of mind. The substance of last December's "plan" may have been changed almost out of recognition, but the spirit is still there. If ever world recession returns, present schemes for re-establishing international trade on a less discriminatory and "harder money" basis may have to be abandoned; it will then become much more logical to increase trade so far as possible, even if bilateral trading pacts have to be drawn up and substantial "soft credits" extended as part of this sad retreat. But the great danger has always been that harassed politicians might dump last December's good intentions about "sound trade," in favour of employment-generating "soft trade" before recession makes reflation desirable; the British Government has not done that at the moment—though the emphasis must be on "at the moment."

Business Notes

Gold Out of Season

THE summer months—when tourist expenditure rises and sales of several staple primary exports of the overseas Commonwealth fall out of season—are nearly always the worst period of the year for the sterling area's balance of payments; that is why payments crises have a habit of reaching, and then suddenly passing, their peak in early autumn. There need be no surprise therefore that the central gold reserves, which had been gathering grist fairly steadily at over $100 million a month since the beginning of last winter, rose by only $48 million during May.

The main reason for the slackening in the rate of growth was that the sterling area's gold and dollar surplus with non-European countries (which means, for the most part, its surplus with North America) fell from $76 million in April to $14 million in May; it would not be surprising if seasonal factors caused this account to relapse into the red some time in the next few months. On the other hand, there does not seem to be any real reason why receipts of American aid should fall below their very low May figure of $13 million in the next few months; Britain still has some $250 million on which to draw from past congressional appropriations, whatever happens to President Eisenhower's request for $200 million more for 1953-54 (and whatever accounting procedure is adopted in respect of it). The final factor in the rise in the reserves last month, the receipt of $21 million from the European Payments Union in mid-May, is also likely to be adversely affected by seasonal factors between now and next October. The mid-June receipt of gold from EPU will be only $10 million, as the sterling area's surplus with Western Europe (half of which is now settled in gold) fell to just over £7,100,000 last month. Unfortunately, too, more than half of this sterling area surplus with Europe was in trade with France, which incurred another intra-European deficit, of $37.4 million, last month—and which will have to take stern remedial measures soon. The general conclusion must therefore be that the sterling area will do very well if it manages to keep its reserves rising at the same rate as in May during the off-season for primary exports; but, equally, there is no sign yet of any real danger of a payments crisis this year.

NINE MONTHS OF DOLLAR SURPLUS
($ million)

	Gold payments (−) or receipts (+)			American aid	Change in reserves	Reserves at end of period
	EPU settlements†	Purchase of "arbitrage" commodities	Other gold and dollar balances			
Sept., 1952...	− 5	− 20	+ 11	+ 27	+ 13	1,685
Oct., 1952...	+ 37	− 40	+ 50	+ 35	+ 82	1,767
Nov., 1952...	+ 96	− 65	+ 70	+ 27	+128	1,895
Dec., 1952...	+ 80	− 40	+ 61	+ 31	− 49*	1,846*
Jan., 1953...	+ 58	...	+ 30	+ 44	+132	1,978
Feb., 1953...	+ 18	...	+ 74	+ 33	+125	2,103
Mar., 1953...	+ 19	...	+ 15	+ 29	+ 63	2,166
April, 1953...	+ 11	...	+ 76	+ 20	+107	2,273
May, 1953...	+ 21	...	+ 14	+ 13	+ 48	2,321

* After taking account of the payment of $181 million on December 31st for the service of United States and Canadian lines of credit, the United States lend-lease loan and the ERP loan.
† EPU settlements in any month depend on the surplus or deficit with Europe in the previous month.

Coronation Spending

THE Coronation has certainly loosened the nation's purse-strings. In the week to last Wednesday a further £11¼ million of notes were withdrawn from the Bank of England into active circulation, reducing the reserve in the banking department to only £6½ million; the fiduciary issue has accordingly been raised by £50 million to £1,600 million. Withdrawal of notes has amounted to fully £20 million in the last two weeks—a sharp increase over the steady weekly expansion of £3 million or so of earlier weeks. But exact measure of the public's demand for cash over the Coronation period can hardly be gleaned from the published statistics. The Bank return was made up on Wednesday, after the "peak" of Coronation demands; the outflow of notes it shows consequently understates the true Coronation demand to the extent of Wednesday's reflux. The position is further confused by the fact that the figures apply to withdrawals not by the public from the banks but by the banks from the Bank of England, and hence may either understate or exaggerate the public's demands to the extent of any change in the banks' till money. But the outflow of notes into the hands of the public was clearly substantial—and further evidence of increased spending has been given in the sizeable dip into "small" savings.

It is doubtful, however, whether the high level of spending should be put down to the influence of the Coronation alone. The expansion in the active note circulation has for many months exceeded that of comparable periods in previous years; there has been a rise of no less than £94 million since the seasonal "low" of last January—£22 million more than in the corresponding period last year and £45 million above the 1951 increase. Moreover, the excess over 1952 was most marked in the early spring, when the influence of the Coronation on spending can hardly have been decisive. Together with the recorded improvement in retail trade, this suggests that the increase in spending over last year is something more than a Coronation spree—whether caused merely by the psychological stimulus of the Budget or, as seems more likely, by less ephemeral factors as well. The note circulation has now reached £1,543 million—only £7 million below the Christmas peak. Such an expansion is not usually reached till the holiday season is in full swing, and it constitutes an all-time record for this time of year.

New Loan for Tanganyika

THE gilt-edged market absorbed the news of a new issue of £4,410,000 for the Government of Tanganyika this week without the slightest ripple of disturbance, and the steady advance in prices continued without even a momentary check. The sponsors of the new issue have played exceptionally safe. Only £2,750,000 of the issue is to be raised by public subscription on the London market; of the remainder £910,000 has been taken up for Colonial Government funds and £750,000 has been reserved for East African subscriptions. This new trustee stock is dated 1967-72 and is therefore six years shorter than the successful Jamaican loan (1973-78) issued at the beginning of April; but it has the same coupon rate of 4¼ per cent and the same issue price of 97½. With a gross redemption yield of £4 9s. to the latest date, the new stock offers a 1s. turn on the issue terms of the Jamaican loan, which now stands at a premium of 1¼ on its issue price.

When the Jamaican issue was made its yield was only about 3s. more than that offered by comparable British Government stocks; but the sponsors of the Tanganyika loan have cautiously offered a yield that is just over 10s. more than that on the 3 per cent Transport and 3 per cent Electricity stocks, both with the same redemption dates of 1968-73. All the indications are therefore that the new loan should command full subscription when the lists open on Tuesday. If the recent demand for gilt-edged securities by the institutions is maintained—and it is being fed at the moment by funds that are waiting for, and perhaps looking for a cheap way into, the shares of the denationalised steel industries—other Colonial governments may take the opportunity to make second line issues of this sort.

The Measure of Recovery

STATISTICAL evidence is accumulating to confirm one of the assumptions, at least, upon which Mr Butler presumably based his Budget—that even without fiscal stimulus industrial production this year would recover to the level of 1951. Over the first four months of the year industrial output as a whole appears to have been roughly at the level of two years before, with manufacturing output in the first quarter rising towards the 1951 level.

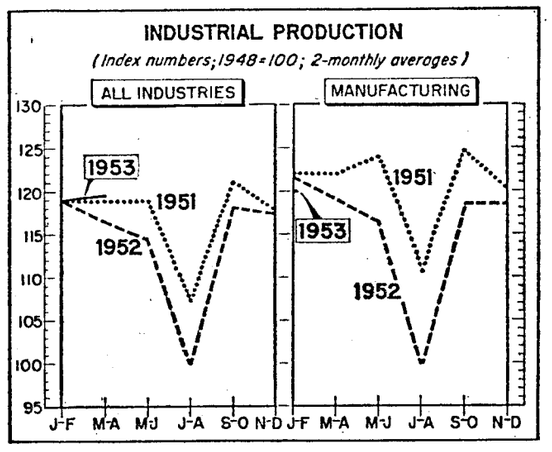
These generalisations—which necessarily imply a certain improvement over last year, in total output—are perhaps the most that should be drawn from the revised official indices of output in February and March and the forecast for April issued by the Central Statistical Office last week. Last year began with industrial output higher than the comparable figures for 1951, but output declined sharply in April. The revised figures for this year, shown in the table, suggest that in February and March total output and manufacturing output were level with or even higher than the corresponding months in 1952, and total output in April seems likely to be several points higher than in April last year. Interpretation of the index in the early months of the year is always made difficult by the varying incidence of public holidays. Various methods of correction have been devised from the postwar figures to eliminate seasonal variations from the index; perhaps the simplest effective way is to take the months two at a time. The index averages for total output in January-February and in March-April for this year would be 119 and probably 120 respectively (1948=100), which are roughly the same as in 1951. Last year the January-February average was also 119, but it was down to about 117 for March-April. Comparisons of these two-monthly averages for 1951, 1952 and early 1953 are shown in the chart.

Common observation suggests that the improvement indicated by these statistics has been continuing. The tex-

INDUSTRIAL PRODUCTION (1948=100)

	1951		1952		1953	
	Total index	Manf. index	Total index	Manf. index	Total index	Manf. index
January.....	116	119	118	120	117	118
February.....	122	125	120	123	121	123
March	116	118	123	126	123†	126
April	122	126	110	112	116-117*	...

† Provisional * "Expected," from information so far received.



tile industries are continuing to increase their labour force and thus their output; car production has shown a marked recovery; steel is being produced at record rates and coal output is higher than last year—though by a disappointingly small margin. Employment figures would suggest that output in many sections of engineering has been slackening while the recovery proceeded in consumer goods manufacture; but delivery dates for equipment have consequently improved, and recently there have been reports that the flow of orders has quickened once more. The improvement so far observed, it hardly needs to be said, preceded Mr Butler's stimulus to home demand; the effects of that stimulus in taking up industrial slack and in drawing the accrued benefit of industry's extension of productive capacity since 1951, will hardly be seen for some months yet.

Rising Bank Deposits

THE clearing banks' figures for May emphatically confirm last month's supposition that the decline shown in bank deposits in April was merely an aberration from the trend. Although in the five-week period to May 20th the banks felt the first effects of the £125 million BEA loan, net bank deposits rose by £43 million, whereas in the similar period last year they dropped by £19 million. The April statement, it will be recalled, showed an unseasonal decline of £20 million, in contrast with a 1952 increase of £31 million. The latest deterioration from the 1952 trend therefore more than offsets the previous month's apparent gain. This deterioration was evidently caused in some degree by the trend towards relaxation of the banks' grip upon advances to the private sector of the economy. During the period, £56¼ million was paid up on the BEA loan, compared with £60 million on the similar loan issued in the Spring last year, and presumably in both periods the greater part of these receipts was promptly applied in reduction of the BEA's indebtedness to the banks. Yet in May this year total bank advances dropped by only £42 million, whereas last year they dropped by £62 million, which suggests that advances to other borrowers rose last month by £10 million or so. There was, however, a slight contraction in the volume of credit extended by the discount of commercial bills, but the decline of £5 million in the banks' holdings of these contrasted with one of no less than £31 million in the similar period last year.

As these comparisons show, the main reason for the renewed uptrend in the volume of credit has been the demands of the central government, which appears to have increased its indebtedness to the banking system by some £85 million, or by rather more than the increase recorded in May, 1952. This is a distinctly bigger demand than might have been expected. It is partly attributable to "departmental" subscriptions to the BEA loan, but official participation was almost certainly smaller this year than last. The overall Exchequer deficit in the periods most nearly comparable to those covered by the banking figures was likewise smaller this year. There remains, therefore, an appreciable discrepancy between the two sets of figures, unless it can be assumed that the surplus on the external balance of payments is running substantially above last year's level. Since that is improbable, it may be that the comparison is being distorted to some extent by fortuitous influences probably arising from the difference in the periods covered by the two sets of figures. If that is so, part of the deterioration shown last month may be corrected in the figures for June.

Grain Futures Again

THE Government, which so resolutely refuses to give facilities for reopening the Liverpool cotton futures market, is arranging to give facilities for reopening the Liverpool and London grain futures market. The chief hindrance to reopening both markets, from the Government point of view, is the risk of losing foreign currency. The number of transactions and degree of risk are perhaps different in the wheat futures market from those in a cotton futures market, but it is worth noting that the total value of imports of the two commodities in 1952 was not vastly different. Wheat imports cost £125 million last year and cotton imports £128 million. Of the wheat imports about £111 million worth came from non-sterling sources, and of this no less than £101 million from dollar sources, mainly Canada. In addition, imports of maize in 1952 were valued at £52 million, of which about £50 million came from non-sterling countries and no less than £26 million from the United States. Of the imports of raw cotton, costing £128 million, about £100 million came from non-sterling sources, including about £40 million from dollar countries, mainly the United States. Taking maize into account, the Government is willing to allow foreign exchange to cover the import of grain to the value of £177 million, but is alarmed at granting facilities for covering import of £128 million of cotton. These comparisons leave out of account international business, but a free grain futures market, like a free cotton futures market, would seek to regain its important foreign business.

Import of grains on private account will be permitted after August 31st, and already buying for delivery after that date is authorised. Naturally, the trade hopes that cover facilities will be permitted before the end of August. Meanwhile private grain business has been small pending the completion of the arrangements for futures and the clarification of arrangements for marketing home-grown grains; the trade is also watching to see what happens when British buying under the International Wheat Agreement comes to an end on July 31st, or earlier, if Britain should have completed its guaranteed quota before then.

Brazil's Arrears

AT the Anglo-Brazilian trade talks now in progress at Rio de Janeiro, the British Government has put forward a detailed "plan" for the settlement of Brazil's sterling arrears. According to unofficial reports from Rio, the British proposal is that Brazil should pay off at once about one-third of the £63 million it owes; it has been

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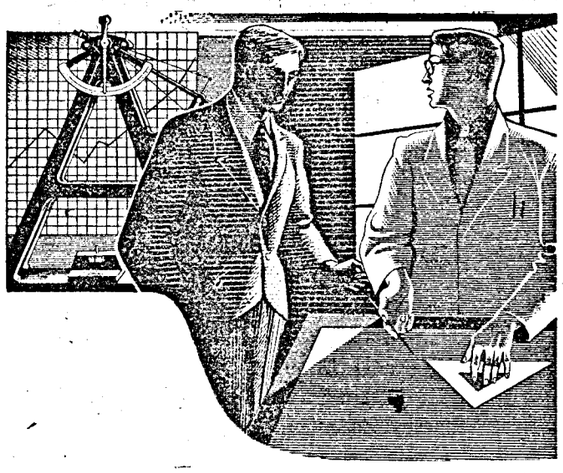
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suggested that it might be able to raise the foreign exchange for this by purchasing sterling from the International Monetary Fund. Thereafter, Britain proposes, Brazil should lay aside some £10 million a year from its gross sterling earnings (which in normal circumstances should exceed £50 million annually) for settlement of the rest of the debt.

If the proposals do indeed take this form, it is probable that the Brazilians are not too happy about them. The Brazilians are said to have hoped that the centrepiece of the negotiations would be a series of bilateral deals, under which Britain would agree to take a wide range of Brazilian products that it does not want—on the understanding that half of these additional products would be paid for by the export of British products that Brazil does want (possibly under hocus-pocus pricing arrangements) while the other half would be paid for by British payments into a fund from which the commercial arrears would be settled. But Britain has apparently let it be known that it will start to talk seriously about measures for increasing trade only after a "plan" for the sterling arrears has been agreed upon; and it has also started to make all the proper noises about the evils of bilateral trade and the possibility that, if Brazil cannot pay for its imports from the sterling area in sterling, then it might pay for them in dollars instead.

One of the difficulties up to now, of course, has been that Brazil has been as short of dollars as it is of sterling. Its backlog of debt to the major New York banks alone stood at $208.3 million at the end of April, although these dollar arrears should now be covered out of the recent loan of $300 million from the Export-Import Bank at Washington. That loan, incidentally, has raised some justifiable misgivings in London; it can be represented as a type of subsidy to American exports to Brazil, for the Brazilians may now be drawing the conclusion that if they continue to buy dollar products (instead of sterling products) they will not be driven into too uncomfortable a corner if and when they find that they have not got the exchange to pay for them.

Choose Your Partners for Contango

After its disappointing decision to continue the ban on option dealings, the Council of the Stock Exchange—and its chairman, Mr John Braithwaite, who receives a knighthood in the Coronation Honours—deserves commendation for the prompt decision to allow broker-to-broker contangos. But the new freedom is a relatively minor one. The Council remains so anxious to avoid "misrepresentations" about speculation that it would not have restored these facilities unless it had been confident that—partly because of the continued ban on option dealings—most of the speculative steam that once existed in the market has been dispersed. The new freedom will remove some of the elements of imperfect competition that have marred dealings in contangos since facilities for broker-to-jobber contangos were restored in May, 1949. But it will not do much more than that.

The main disadvantage of the system of purely broker-to-jobber contangos in the past three and a half years has been that it has tended to put too much power in the hands of the jobbers. Under it a broker who was a "bull" of a particular security and wished to postpone payment for the purchase of it informed the jobber that he was willing to pay a small sum—decided by the play of market forces—for arrangements to carry the transaction over to the next fortnightly account; he could do this from one Stock Exchange account to another so long as the cost of the successive contangos remained below the stamp duty that would have to be paid on the completion of a cash transaction. Similarly, a "bear" who wished to postpone delivery of a stock that had already been sold told the jobber of his needs. The jobber then married these two transactions and earned a minute turn for his trouble—from the difference between the sum charged to the "bull" (which nowadays on well-known stocks would be the equivalent of about 5 or 6 per cent per annum on the market price) and the sum paid to the "bear" who took the stock in.

Effectively, this system gave the jobber some degree of monopoly in these dealings, if only through the simple process of inertia; brokers automatically tended to approach the jobbers who specialised in the stock for which the contango facility was required. The jobbers could refuse to deal, they could limit dealings or they could deal only at high rates; at the end of the account some brokers could be—and very often were—left out in the cold, and they were thus forced to accept the additional expense of selling at the end of the old account and buying back at the beginning of the new. Moreover, the system cut right across the established custom that a broker need not disclose to a jobber whether he is a buyer or a seller.

New Pattern of the Dance

Under the new system of broker-to-broker contangos, this element of imperfect competition should disappear from the market. A broker will still be able to approach a jobber for contango facilities; and if he is dealing in large blocks of shares he will probably continue to do so. But he can also go directly to another broker, if he can find one, either by inter-office dealings or, as was usual before the war, by attending a market in Throgmorton Street before normal dealings start on contango day. Presumably, the efficient running of this market will be ensured by a return to the old practice of posting lists of contango rates in the market. With such a widening of the market, fewer members should be left out in the cold, odd lots of stocks should be disposed of more easily and contango rates may become slightly cheaper. The new freedom may also bring the "backwardation" charge into more prominence in the market; backwardation has been possible under the system of broker-to-jobber contangos, but it has been very uncommon. The charge can arise when such a heavy "bear" account has been built up that the "bears" become willing to pay for the privilege of delaying delivery of the stock; in this case, of course, the sum is paid to the "bulls."

The resurrection of free contangos means that, apart from option dealings and completely free dealings for future accounts, the market will again possess all the dealing facilities it had before the war. But this old-fashioned look is only a surface one, for—with option dealings still banned—the market in contangos will certainly be much smaller than

in the 'thirties. It may tend to be largely concentrated upon dealings in "take-over" shares and in Kaffirs, where the professional investor and the "shop" still loom large. It may also do a little elsewhere to smooth out price movements between one account and another, since it will reduce the amount of selling on the old account followed by buying for the new (a practice that has frequently jolted prices—especially, for example, in Japanese bonds—in the last few years). The Council will, however, continue to keep a stern eye on all these transactions; brokers, like jobbers, will henceforth be required to make a confidential return in March and September of the total amount they have open on contango account.

Exchange Arbitrage at Work

THE London foreign exchange market is adapting itself rapidly and satisfactorily to the new freedom for arbitrage within the group of eight EPU currencies that it has enjoyed since May 8th. The first few days of this freedom witnessed an immediate burst of activity, both in contacts by international telephone and in actual dealings. Much of this activity, however, was ephemeral. It was the result of disparities in cross rates that remained from the era of bilateral dealings. These disparities were rapidly eradicated. Some of the initial activity was also due to the natural desire of dealers in London to "show the flag" to their overseas correspondents and customers. After this initial flurry the market settled down to a much slower tempo of activities, with costly overseas calls reduced to a level more consonant with the modest volume of available profitable business. But although the trade is modest, it is nonetheless satisfactory. In particular, London dealers have been reassured by their ability to attract much business that in recent years had been the virtual monopoly of Zurich.

The question of the limits upon the amounts of the EPU currencies concerned that the Bank of England allows each authorised bank to maintain is coming under discussion. Contrary to earlier impressions, no general increase in these limits has been sanctioned. In this, as in most issues with which it concerns itself, the Bank of England maintains an essentially elastic and empirical attitude. There are no hard and fast rules, but the convenience and genuine requirements of the market are sympathetically considered. If these suggest that the authorised banks' limits for francs, guilders, marks and other currencies concerned should be raised, they will be raised. For the moment the initiative in this matter must come from the authorised banks themselves and few of them have hitherto found themselves inconvenienced by the restrictions of the existing limits. In the past, if any bank was left unwittingly with holdings of a currency that exceeded its limit, it notified the Bank to that effect and corrected the situation with the minimum of delay. This kind of *ad hoc* procedure is likely to be followed in the future. But if, in the light of the experience that will thus be gained, it is found that the existing limits are inadequate to cater for the volume of business that can be transacted under the new arbitrage facilities, there will no doubt be a general readjustment of limits. Few people will be any the wiser, since these limits are carefully guarded secrets between the Bank of England and each authorised bank.

Ecuador Offers to Settle

THE International Bank for Reconstruction and Development has recently been very properly forbidding in its attitude towards would-be borrowers who are in default on their existing debts to foreign bondholders. It is reported to be very largely because it wants to borrow from the IBRD that Ecuador has agreed to resume payments on its external debts. All of these debts are owed to British holders of the $10.7 million issue of the 5 per cent Guayaquil and Quito Railway Dollar Bonds, and of the two tiny issues of the 4 per cent Salt Dollar Bonds and the 4 per cent Condores Sterling Bonds. It is over twenty-four years since payments were made on any of these bonds, and, even then, the coupon paid in 1929 on the railway bonds was fifteen years overdue. The Council of Foreign Bondholders (which advises stockholders to accept the settlement) is therefore to be congratulated on squeezing a little juice out of this ancient lemon.

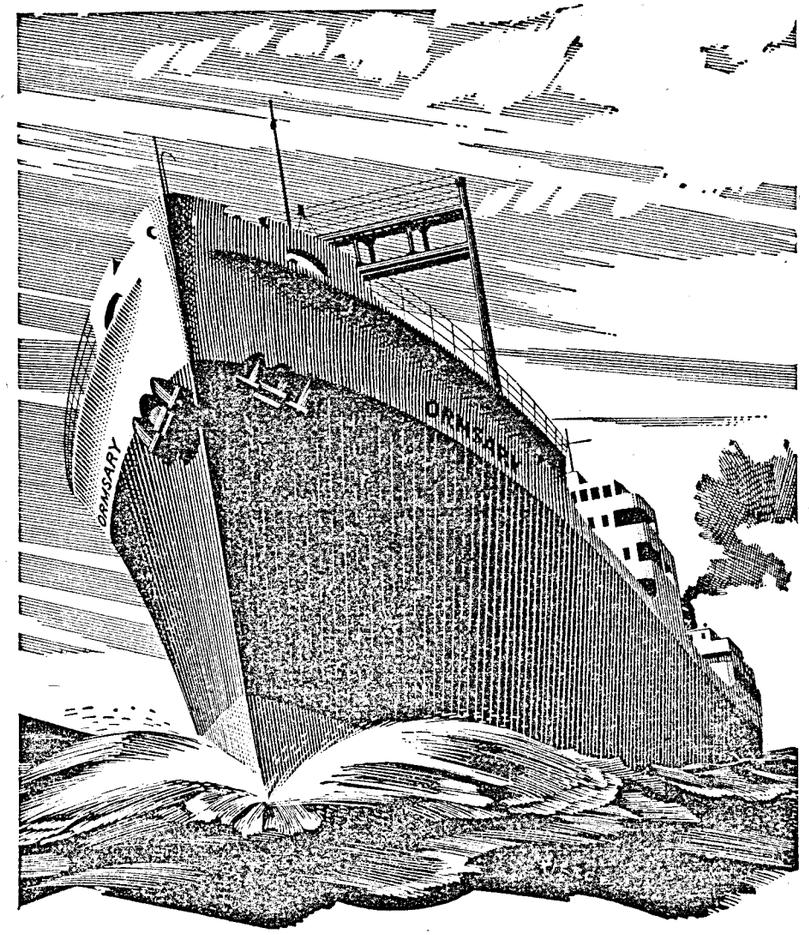
Unfortunately, however, the juice is still a little sour. The Council has had to accept the resumption of current payments at the expense of the outstanding arrears of interest. On the railway bonds—and the terms of the settlement for the two other issues are on the same lines—interest payments will be resumed in 1954 at 2 per cent; this coupon rate will be raised to 2½ per cent in 1955, to 2¾ per cent in 1956, and to 3 per cent in 1957 and following years. An annual cumulative sinking fund (which will allow the bonds either to be drawn or to be purchased in the market at par) will be established in 1954; in the first four years this fund will be operated at a rate of ¾ per cent each year and after that at a rate of 1 per cent. As some compensation for losing the arrears of interest (and for effectively postponing redemption) bondholders are offered a 5 per cent cash bonus on the nominal value of the bonds; but this bonus will only be paid in five equal instalments between 1954 and 1958.

The treatment of the accumulated interest arrears and the rather paltry size of the sinking fund have disappointed the stock markets; immediately after the terms of the settlement were known the Guayaquil and Quito bonds were marked down 9½ points to 39, compared with a price of 29 a year ago. These terms are not a very happy augury for the settlement of Peru's and Costa Rica's debts to British bondholders. Peru has already settled its debts with the United States, but its government is still seeking to pay off British stockholders in sterling at $2.80 to the pound (although its bonds carry a specific option under which stockholders can demand payment in dollars at the old rate of exchange).

More Aviation Spirit

THE addition of a "platforming" unit to the already formidable list of installations at the Shell Petroleum Company's Stanlow refinery promises an increased output of high octane aviation spirit in this country. Fuel for piston aero-engines—not gas turbines, which use special turbine fuels—ranges from 100 to 130 octane compared

There's a future in STEEL



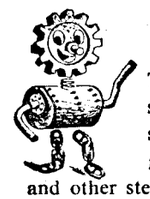
ANOTHER 8,000 tons of iron ore from the newly developed field in French West Africa leave Conakry in the "Ormsary", bound for British blast furnaces.

The "Ormsary" is the first of a fleet of fifteen specially designed ore ships. Their cargoes will help to feed the new blast furnaces that British iron and steel firms are steadily bringing into production.

Their special design has already enabled new records for speed of unloading and turn round to be set up.

This is only one of the ways in which steel firms are providing the raw materials to meet the future needs of modern industry, science and engineering.

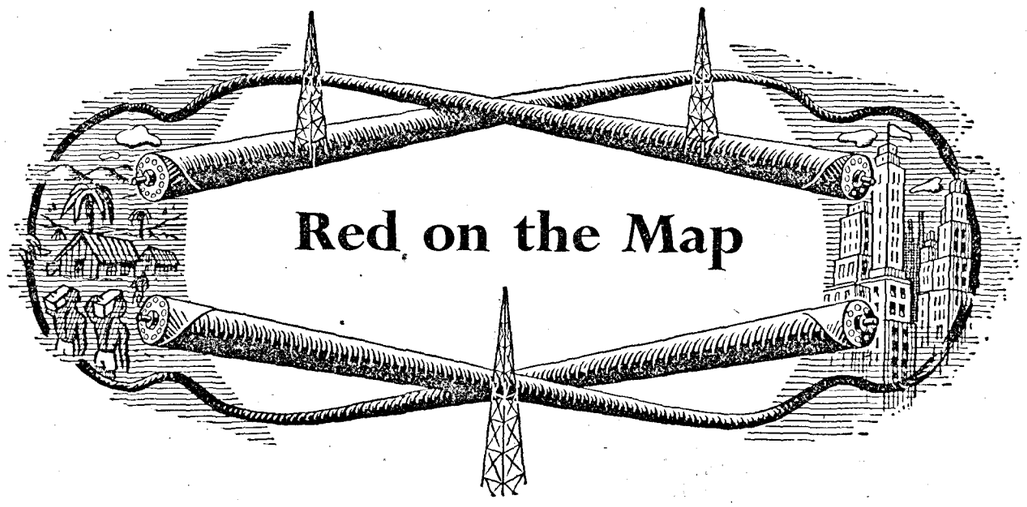
'What about my future?' says JACK SCRAP



The steel industry still needs all the scrap which engineering firms and other steel-users can send back. Search out every ton of scrap on your premises. Your local scrap merchant will help with dismantling and collection.

● Issued by the BRITISH IRON AND STEEL FEDERATION, Steel House, Tothill Street, London, S.W.1

WORDS ROUND THE WORLD



YOU MUST LOOK at a map of the whole world to realise how extensive are the operations of Cable & Wireless Ltd. On it, across the blue of the Seven Seas you will find the red lines that indicate 150,000 nautical miles of submarine cable and 195 wireless circuits, arteries of communications carrying messages between the 74 different countries where the Company operates. Not only do they link the units of the Commonwealth with one another; they stretch to foreign lands where the Company has concessions.

In the United Kingdom and the Dominions the governments administer the terminals of the overseas telegraphic services. Cable & Wireless Ltd. are entrusted with maintaining and developing the cables and wireless relay stations. In most of the Crown Colonies and in other countries the Company are responsible for external cable and wireless services, and they carry out a variety of other technical operations including telephone systems, broadcasting, shore-to-ship and ground-to-air radio communications and phototelegraphy. International message carrying is the Company's business, and it is the biggest organisation of its kind in the world.

Operating on a trading basis, the Company's staff and its equipment must keep pace with the current load and be alert to anticipate new developments, however much the costs of labour and materials increase. The Company will continue its efforts to earn foreign currency, to link the Commonwealth, and, in world communications, to keep Britain supreme.

Part of Britain's Business...

CABLE & WIRELESS LIMITED

Electra House, Victoria Embankment, London, W.C.2

with 80 octane for motor spirit. It is not obtained during the course of any single refinery operation, but from the blending of the highest octane constituents of the motor spirit fractions yielded by various distillation and cracking processes, together with chemicals obtained from the petroleum gases released during refining. Shell has been producing limited quantities of aviation spirit by importing some of the high octane constituents for blending with high-grade gasoline produced at Stanlow. When the "platforming" unit is completed at the end of the year, it will produce these special constituents on a scale that will make possible a considerable increase in the present British output of about 2,300 barrels daily of aviation spirit, without any dependence upon imports of blending ingredients.

The decision to invest some £3.5 million on this plant may seem to be in contrast with the reduction at present and in prospect of piston aero-engines in service. But the replacement life of refinery equipment is not long—it is sometimes put at about five years, and over this period, the demand for aviation spirit is expected to rise steadily. Estimates made by the Petroleum Administration for Defence in Washington indicate that consumption is running at about 82,000 barrels a day outside the United States and the Iron Curtain countries, while production amounts to only 38,000 barrels, of which 32,000 barrels are produced in Canada, Mexico and the Caribbean and 4,300 barrels a day in the Far East. Europe is therefore almost wholly dependent on imported spirit, for daily consumption during this year is estimated to be 31,000 barrels and it is expected to rise to nearly 33,000 barrels by 1955. As far ahead as 1962, consumption of aviation gasoline in Europe is not expected to fall below 27,400 barrels a day. The American Deputy Petroleum Administrator had expressed some concern over the apparent absence of any plans to increase the production of aviation gasoline, particularly in Europe, where the deficiency arising from the loss of Abadan's 18,000 barrels a day has been particularly marked. This view would presumably be modified by the news of the Stanlow development.

Cars and Politics

WHAT the British motor industry has just gained on the swings through a new agreement with Western Germany it seems likely to lose on the roundabouts in India. A few days after the Board of Trade announced that an import quota for £2.7 million worth of British cars had been granted by Western Germany, the government of India revealed its own plans for progressively cutting down the import facilities at present available to car manufacturers established there. Although more than 2,000 British cars are shown as having been exported to Germany last year, these were taken over under various special arrangements, and the new quota represents the industry's first opportunity to reopen ordinary commercial exports to Germany. In return, £2 million worth of German cars are to be imported into Britain. Since these will attract customs duty at 33 per cent and purchase tax of 50 per cent (assessed on the wholesale price, plus duty), even the redoubtable Volkswagen may find it difficult to make an impression on British manufacturers' hold of their home market.

The prospect facing car manufacturers and importers in India is not at all clear. Reports suggest that the government is prepared on determined steps to establish an Indian motor industry. Most of the major British and American companies have plants in India that assemble cars exported there in "knocked-down" state; but British shipments dropped significantly from nearly 12,000 cars in 1951 to 6,456 last year and are at present running at no more than 4,000 cars a year, while American shipments are even smaller. To stimulate local assembly, the government has now cut the duty on imported components from 65 to 40 per cent, leaving the duty on crated cars at 72 per cent for British and 75 per cent for other makes. During the next three years, the government of India intends, apparently, to secure the concentration of all car production into five factories, which will have to buy at least half their components within India. Other producers, it appears, will have to quit the car business by the end of the period. Of the British firms affected, Austin, Nuffield, Standard and Rootes each have agreements with certain of the five chosen producers and presumably could retain a place in the Indian market. Among American manufacturers, Chrysler, through its subsidiary Dodge, and Studebaker have agreements with two of the favoured firms, but Ford and General Motors are among those with factories scheduled to cease car production. This affects the Ford and Vauxhall companies in Britain, and promises to deny them any access to the Indian market. Most companies with extensive export connections have been accustomed to the need, in many parts of the world, to take a large dash of politics with their trading; even so, this brand of discriminating nationalism seems exceptional. The political manœuvring is no doubt not yet at its end; while Ford and General Motors have apparently not yet been able to come to terms with the Indians, there is no reason to believe that they may not do so eventually. These first steps toward India's avowed desire to produce an "Indian" car, do not hold out happy prospects even for those British and American companies that have—so far—been accorded limited approval.

New Nickel Contract

THE International Nickel Company of Canada has entered into a contract with the Defense Materials Procurement Agency of the United States for 120 million lb of metallic nickel and 100 million lb of electrolytic copper, delivery to commence in December. The chairman of International Nickel states that it has become possible to undertake this contract because of an entirely new project in the Sudbury District of Ontario, the result of several years of mining and metallurgical research, which permits the additional production of 2 million lb per month of nickel. Under the contract nickel will be delivered at that monthly rate and the copper at the rate of 1⅓ million lb a month. Deliveries are to be completed in 1958. The price for nickel under the new contract is not revealed, but the company states that it reflects current prices, plus an allowance for amortization and additional costs of production; the price for electrolytic copper is stated to be 2/ Canadian cents a lb. Both prices are subject to movements on an agreed index of changes in specified economic factors.

Meteors and Brazil

THE exchange of Gloster Meteors against Brazilian cotton entered into some months ago attracted considerable comment in these columns and elsewhere. Deals of this kind do not usually escape political repercussions and the opposition in the House of Deputies in Rio de Janeiro has made much of the allegation that Brazil has paid an excessive price for the aircraft. Certainly the information originally given about the deal suggested that seventy aircraft would be sold at a price, excluding technical services, of £3½ million. It is now learned, however, on unimpeachable authority, that the ten Mark VII Meteors (which are trainer aircraft) cost Brazil £40,310 each, and the sixty Mark VIII's cost £42,810, excluding cannons, which cost several thousand pounds. These prices include assembly and flight testing in this country. The costs of dismantling, re-assembly and making the aircraft ready for flight in Brazil are not included in these prices, but are comprehended in the total contract.

These figures are a good deal lower than the first information, dating from November last year, originally suggested. They correspond to a total of rather less than £3 million for the aircraft themselves and set a different complexion on the comparisons of prices that were suggested earlier in these columns. It is understandable that until the Gloster Company is tooled up to produce the new Javelin it would be anxious to keep its Meteor production lines and staff in being; what is less certain is whether the company will emerge from the deal with a significant profit—as distinct from the useful contribution to overheads that the Meteor orders will obviously make. Equally, it is understandable that the company should be anxious, if it can, to secure similar business, whether from Brazil or elsewhere. Bilateral barter deals of this kind with countries that have not shown much readiness to reform their exchanges and repay their creditors are open to strong objections of principle that have often been set down in these columns—but it would be difficult to blame any individual company for entering upon them if it sees no opening for normal means of trade.

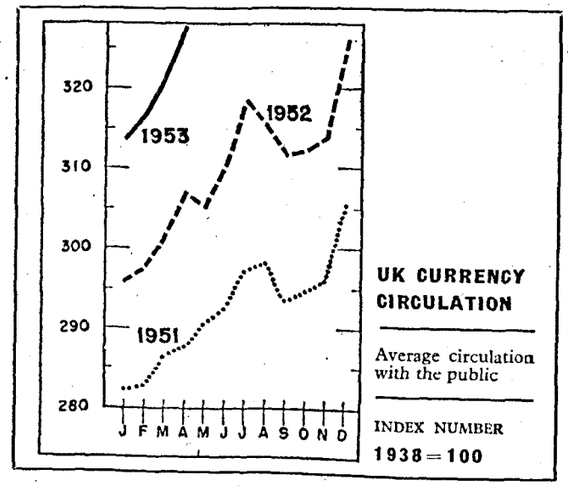
Strikes in 1952

FEWER strikes began in 1952 than in 1951, but the amount of idleness they caused in industry—so far as this can be measured—may have been slightly greater. The number of "working days lost," which in the United States is rather more correctly measured in "man-days," amounted to 1,792,000 for strikes in progress during the year, compared with 1,694,000 during 1951. About 416,000 people appear to have been involved. but probably 112,000 of these were involved indirectly (at the same factories or places of work where strikes happened). Some workers—especially in coal mining and in building—were involved in industrial stoppages more than once in the year. Thus the "net number" of individuals concerned in 1952 was about 330,000 (compared with 310,000 in 1951). The total represented about 1½ per cent of the total population in civil employment—and the amount of idle time, which amounted to about 5 days in the year for each of the workers involved, would have represented a much smaller proportion of the total time worked in industry.

By far the largest amount of industrial unrest occurs in the coal industry. Roughly 58 per cent of all the people concerned in strikes were miners, and in this industry the time lost amounted to 660,000 days. The National Coal Board, which compiles figures independently and includes "go-slow" operations, has calculated that last year these interruptions may have lost the industry 2 million tons of coal. Such measures of the "cost" of industrial unrest are interesting (though it must be borne in mind that a considerable proportion of the coal "lost" was in areas where a substantial financial loss was incurred on all coal mined, and also that the NCB last year mined or excavated about 3 million tons more coal than it was able to sell). But in very few industries can estimates as vague even as these be made. Obviously, the "cost" to the economy will vary with business circumstances in given industries and factories; in firms where "concealed unemployment" existed last year, for example, and men retained with insufficient work to do and their products going into stock, a dispute over redundancy might conceivably have benefited at least the individual employer. Industrial disputes are perhaps easier to measure (though very approximately) than other interruptions of industrial production; and this can lead to exaggeration of their direct effect upon output, though their full indirect effects, and their significance as an index of labour relations, may be considerable. It seems fairly clear, for instance, that strikes hamper the smooth running and total output of the economy far less than absenteeism does; some attempt to compile statistics of absenteeism throughout industry, such as already exist for coal mining, seems overdue.

Commonwealth Sugar Discussions

THE return to private enterprise of all sugar importing, which is now expected to take place before the end of the year, will put on private importers considerable



responsibility for implementing the Commonwealth Sugar Agreement negotiated by the Government and at present carried out on behalf of this country and certain other importing countries of the Commonwealth by the Ministry of Food. Discussions are now taking place between the Ministry and the trade to see how this transfer of obligations can best be carried out. The dual object of the sugar agreement is to assist sugar producing areas in the Commonwealth with development and to increase the supply of non-dollar sugar to the Commonwealth countries that import sugar, even though at present such sugar costs about 70 per cent more than dollar sugar. Under the arrangement made in 1948, the Ministry of Food undertook to buy the whole of the Commonwealth exportable sugar surplus up to 1952 at prices to be negotiated annually. In 1952 the available surplus amounted to 1.6 million tons. In the renewed arrangement negotiated in December, 1951, it was reckoned that Commonwealth annual exports would eventually rise to 2,375,000 tons, of which Britain was to buy 1,640,000 tons at prices to be agreed annually. The remainder was to be bought by Britain or Canada at world prices—presumably lower prices.

Private trade in this country should have little difficulty in absorbing all the Commonwealth production, and the Ministry of Food may be able to withdraw from its contract with an easier conscience than when it pulled out of its banana agreement with the West Indies. It takes just over 2 million tons to meet the present sugar ration and it is generally agreed that when rationing ends in a few months time—a preliminary step to handing the trade back to private enterprise—public consumption may, after rising sharply at first, settle down to about 2.5 million tons a year. In recent years a little over half Britain's sugar imports have been coming from dollar sources, mainly from Cuba, but allowing for re-exports the trade should be able to handle the 1,640,000 tons of purchases guaranteed to Commonwealth producers. The difficulty will be to persuade the trade to buy this sugar at prices higher than world prices, especially as the Government is anxious to withdraw the present sugar subsidy of about 1¼d. per lb. But even after the Ministry of Food goes out of business, the Government will still have the whip by the handle—it can refuse foreign currency for purchases until traders have bought the agreed quantity of Commonwealth sugar; but on this score the trade, for its part, requires certain assurance and present discussions are not proving too easy.

SHORTER NOTE

The Actuaries' Investment Index, that well-known statistical stand-by of the institutional investor, will have a new look by the end of this summer. Its compilers have recognised the fact that an attempt to preserve continuity in the index over an indefinite period can be misleading, and they have now decided to calculate a new index that will incorporate a much wider selection of ordinary shares and will segregate preference shares into groups according to the nominal rate of dividend paid on each security.

Company Notes

GUEST, KEEN AND NETTLEFOLDS. The former big shareholders in the iron and steel industry are being very discreet about what they intend to do when the steel companies are put up for sale. In his speech accompanying the full accounts of Guest, Keen and Nettlefolds, Mr J. H. Jolly goes to considerable pains to avoid saying anything that might tend to spoil the market. He refers shareholders to one of his earlier statements that the group would "be interested in purchasing the Iron and Steel Works previously connected with the group subject to fair financial terms on re-acquisition and the extent to which free enterprise may be allowed"; and declares that re-acquisition will be decided "in the light of the terms offered" and "the conditions as they affect the iron and steel trade today." In a recent speech to the shareholders of Cammell Laird, Mr J. C. Mather made rather similar remarks; he declared that any re-purchase of English Steel will depend upon what interest in it can be acquired and what terms are offered.

Like many other former big shareholders in steel, Guest, Keen and Nettlefolds has ample liquid balances—but also a large investment programme on hand. The group's cash balances and tax reserve certificates amount to over £7.3 million (against £8.8 million a year ago) and its quoted investments still total over £14.6 million; but these resources could be quickly eaten away between the re-purchase of the group's steel interests (for which it received about £18.5 million on vesting day) and an outstanding programme of £10.7 million for capital expenditure. And although, as was pointed out in a note on the company's preliminary statement in these columns on May 16th, the death of EPL will benefit the company a great deal, there is no assurance that trading profits in the engineering industry will remain at their present high levels. Indeed, Mr Jolly, while pointing out that the subsidiary companies trading at home did rather better than those trading overseas last year, has already informed shareholders that in the latter part of the year "several sections began to feel the effect of customers' decisions to drastically reduce their stocks in trade." This, in turn, reduced profit margins; and, in these circumstances, the increase in the group's own stocks from £15.9 million to £21.3 million cannot be taken simply as a sign of healthy expansion in trade.

	Years ended Dec. 29, 1951	Jan. 3, 1953
Consolidated earnings:—	£	£
Trading profit	11,271,269	12,308,594
Total income	12,046,147	13,510,908
Depreciation*	2,488,072	2,940,770
Taxation	6,059,782	7,031,757
Net profit	*2,926,993*	*2,527,720*
Ordinary dividends	889,980	918,234
Ordinary dividends (per cent)	15	15
Retained by subsidiaries	1,016,539	1,044,688
General reserve	1,000,000	1,000,000
Added to carry forward	719	*Dr 12,258*
Consolidated balance sheet:—		
Fixed assets, *less* depreciation	15,934,392	19,270,471
Net current assets	41,103,178	43,590,623
Stocks	15,910,795	21,300,334
Quoted investments	14,818,628	14,677,037
Cash	4,378,051	2,916,081
Reserves	29,674,732	33,105,481
Ordinary capital	11,301,337	11,301,337

£1 ordinary stock at 47s. 0d. yields £6 8s. per cent.

* Including appropriations to capital depreciation reserves (1951: £1,055,236; 1952: £1,355,135).

★

ASSOCIATED PORTLAND CEMENT. The Blue Circle group of cement companies is able to look back on 1952 as another year of steady expansion. Its directors have celebrated this by raising the ordinary dividend from 27½ to 30 per cent, and by deciding upon a capitalisation of reserves that will double the existing ordinary capital of £4 million. Last year, its deliveries of cement rose by over 700,000 tons to 7,400,000—the greater part of the increase going directly to the home market—and, despite a reduction in prices, profit margins in Britain showed a slight improvement. As cement prices have recently been raised again, these margins may look even more comfortable now. In all, the group received a total income of over £42.1 million from the sale of its products and from its investments last year, and its trading profits advanced from £8,514,725 to £11,096,318. Another satisfactory sign is that these increases were achieved without adding any significant amount to the value of stocks; but this, of course, was partly a reflection of last year's reduction in prices.

The annual address of the chairman, Mr George Earle, exudes confidence about the future as well as good cheer about the past. At home demand is still outstripping supply and the group has had to import cement from the Continent—and then to sell this cement at a loss—to fulfil its delivery commitments; but as there is no slackening in

overseas sales and as (in Mr Earle's words) overseas prices are "good," the group is perhaps squaring the Circle on these losses on imports from the Continent. In any case the need to import cement may shortly disappear when the group's new kilns in Britain come into production; in the consolidated balance sheet expenditure on capital works in progress is entered at £3,956,275 and outstanding capital commitments are estimated at £2,440,201. The low (but not excessively low) yield of 5.4 per cent on the £1 ordinary stock units at the current price of 111s. 3d. xd suggests that investors may be looking forward to another increase in equity payments soon; and in the back of their minds there is, perhaps, the longer term consideration that in these days of planning for public works, the cement manufacturers might not be hit as hard as some other industries in any future world recession.

	Years to Dec. 31, 1951	1952
Consolidated earnings :—	£	£
Trading profit	8,514,725	11,906,318
Total income	8,711,132	11,295,992
Depreciation	1,634,266	1,724,092
Replacement reserves	1,030,000	1,120,000
Taxation	4,427,642	6,116,413
Net profit	*1,089,725*	*1,684,282*
Ordinary dividends	577,500	652,500
Ordinary dividends (per cent)	27½	30
General reserve	292,083	325,500
Other revenue reserves	11,295	465,000
Added to group carry forward	27,312	2,266
Consolidated balance sheet :—		
Fixed assets, *less* depreciation	16,459,598	18,918,953
Net current assets	11,819,570	13,526,983
Stocks	7,755,535	7,788,627
Cash	2,366,183	2,747,553
Reserves	12,566,128	14,644,268
Ordinary capital	4,000,000	4,000,000

£1 ordinary stock at 111s. 3d. xd yields £5 8s. per cent.

★

INTERNATIONAL PAINTS (HOLDINGS). The directors of International Paints (Holdings) have set their shareholders a puzzle by deciding to raise the effective ordinary dividend from 17½ to 20 per cent for a year in which trading profits rose by less than £5,000 to £1,557,570. The only reason for this decision that can be deduced from the statement made by the chairman, Mr C. R. Pètrie, is that the group's factories in Britain were kept "reasonably busy" last year—even though its trade (particularly at home for sales of decorative and industrial paint coatings) was adversely affected by economies and some de-stocking by consumers. In company with its customers, however, the group itself was careful to keep a tight rein on stocks in 1952; and in the consolidated balance sheet the book value of stocks is shown to have risen by less than £100,000 to £3,054,692. This has been accompanied by a slight strengthening of the group's liquid resources.

	Years to Dec. 31, 1951	1952
Consolidated earnings :—	£	£
Trading profit	1,572,647	1,577,570
Total income	1,746,532	1,673,447
Depreciation	114,397	127,031
Taxation	791,628	804,536
Net profit	*571,979*	*528,731*
Ordinary dividends	145,920	173,980
Ordinary dividends (per cent)	26	20
Retained by subsidiaries	373,228	449,281
Revenue reserves	28,000	10,000
Added to carry forward	48,406	*Dr 41,324*
Consolidated balance sheet :—		
Fixed assets, *less* depreciation	1,223,386	1,364,124
Net current assets	4,151,806	4,328,479
Stocks	2,959,813	3,054,692
Cash	482,251	761,995
Bank overdrafts	227,215	258,169
Reserves	2,888,467	2,723,586
Ordinary capital	1,069,000	1,603,500

4s. ordinary share at 13s. 0d. yields £6 3s. per cent.

So far—apart from the splash of colour for the Coronation—there have not been any encouraging signs that trade in paint is once again improving. For the immediate future, therefore, the group appears to be concentrating its efforts at home on re-equipment and technical developments, and on expanding its trade with the shipbulding concerns; overseas it appears to be attempting to counter quota restrictions and exchange control regulations by adding to its manufacturing interests abroad. It should be noted, however, that despite the plethora of new import restrictions in many world markets last year, the group's export sales were only fractionally below their record level of 1951. All in all, therefore, the directors of International Paint have had a happier story to tell than might have been expected; but, with costs still rising, they seem most unlikely to be able to extend their traditionally liberal dividend policy to yet another increase in the dividend for the current year.

★

BRITISH INSULATED. There is more than a hint of nostalgia in Sir Alexander Roger's review of British Insulated's activities in 1952. It was a year of records. The volume of production rose by 12½ per cent, the value of sales rose to £85 million, the group's trading profits advanced from £7,966,464 to £9,423,182 and the ordinary dividend was raised from 9 to 10 per cent. But what Sir Alexander calls the recent "substantial falling off in the rate of intake of new orders" means that these records will not be broken again this year. In these circumstances perhaps the most satisfactory feature of last year's successes is that they have enabled the group to replace its bank overdraft of £1,997,377 at the end of 1951 with a cash balance of £3,492,308 at the end of 1952. This swing-round was mainly due to the receipt of £3,340,000 from last year's issue of ordinary shares; but it was also helped by profit retentions and by the fact that, thanks to a reduction in raw material prices, the value of the group's stocks in a year of record trading was actually reduced by about £1 million to £21.3 million. There may now, however, be some danger of losses on these stocks following in the wake of further reductions in prices (particularly of copper).

The improvement in the balance sheet has come at a time when the group is in need of liquid resources to meet heavy future commitments. In the first place a special loan of £2 million is due to be repaid not later than 1955. Secondly, the group still has a considerable programme of capital development to complete; its outstanding commitments are estimated at over £1 million, even though £2.2 million was spent on capital account last year. Thirdly, since the end of last year the group has purchased the wire and cable business of Phillips Electrical Works in Canada. Lastly, in meeting the growing threat of foreign competition, the group may have to make greater efforts to meet the demand for extended credits from its overseas customers. All these factors, coupled with a falling off in orders, suggest that a further increase in equity payments is unlikely. The yield of 5.55 per cent on the £1 ordinary stock units, at the current price of 36s., needs to be judged in the light of this presumed stability of dividends.

	Years to Dec. 31, 1951	1952
Consolidated earnings :—	£	£
Trading profit	7,966,464	9,423,182
Total income	8,288,039	9,592,095
Depreciation	845,836	906,996
Taxation	4,081,211	4,869,146
Net profit	*2,686,866*	*3,069,756*
Ordinary dividends	436,608	673,075
Ordinary dividends (per cent)	9	10
Revenue reserves	1,938,013	1,834,692
Added to group carry forward	257,349	483,769
Consolidated balance sheet :—		
Fixed assets, *less* depreciation	7,946,634	8,902,390
Net current assets	21,329,946	27,195,513
Stocks	22,269,037	21,293,002
Cash	...	3,492,308
Bank overdraft	1,997,377	...
Reserves	14,612,700	17,219,753
Ordinary capital	9,240,386	12,350,000

£1 ordinary stock at 36s. 0d. yields £5 11s. per cent.

SECURITY PRICES AND YIELDS

Prices, Year, 1953 Jan. 1 to June 3		British Funds and Guaranteed Stocks	Price, May 26, 1953	Price, June 3, 1953	Gross Yield, June 3, 1953
High	Low				£ s. d.
99⅜	99⅛	W. Bds. 2½% '52-54	99⅜	99⅜	2 12 6
99¼	98⅞	Exch. 2½% '1955-...	99⅛	99⅛	2 12 8
100⅜	99¼	Exch. 3% '1960-...	100¼	100⅜	3 1 3
99⅛	99⅞	Ser. Fundg. 1½% ...	99⅛	99⅛	2 10 3
98⅛	98⅜	S. Fundg. 1½% '54	98⅜	98⅜	2 12 8
100⅛	100⅛	S. Fundg. 3% '55-...	100⅛	100⅛	2 14 7
99⅜	98⅜	W. Bds. 2½% '54-56	99⅛	99⅛	2 12 9
100¼	99⅜	Fundg. 2½% '52-57	100⅛	100⅜	2 14 6
101⅛	99⅝	N. Def. 3% '54-58	101¼	101⅛	2 16 9
101⅜	99⅞	W. Loan 3% '55-59	100⅞	100⅛	2 18 2
96¼	91¼	Savings 3% '55-65	95⅛	96⅜	3 9 10
97⅛	93⅜	Fundg. 2½% '56-61	96⅛	97⅛	2 19 5
90⅜	86⅜	Fundg. 3% '59-69	90⅛	90⅛	3 16 10
93¼	87⅛	Fundg. 3% '66-68	92⅛	93⅛	3 13 10
100⅛	98¼	Fundg. 4% '60-90	99⅛	99⅞	4 1 8
89⅛	85⅜	Savings 3% '60-70	89⅛	89⅜	3 18 0
88⅛	84⅞	Savings 2½% '64-67	88⅜	88⅛	3 11 4
102½	100⅛	Victory 4% '20-76	101⅞	101½	3 19 0
87½	82⅜	Savings 3% '65-75	86½	87⅛	3 18 10
92½	86⅜	Consols 4% (aft. '57)	91⅜	92⅛	4 8 2
82⅜	77⅜	Conv. 3½% (aft. '61)	81⅛	82⅜	4 5 8
81⅛	57⅜	Treas. 2½% (aft. '75)	60⅛	61	4 2 7
71½	67⅜	Treas. 3% (aft. '66)	71	71½	4 4 10
92⅛	87⅛	Treas. 3½% '77-80	90⅜	90⅝	4 1 5
81⅛	76	Redemp. 3½% '86-96	81	81⅛	3 18 5
82⅛	77⅛	W. Loan 3½% aft. '52	81⅛	81⅜	4 5 10
61⅛	58⅛	Consols 2½% ...	61⅛	61⅜	4 0 10
87⅛	83⅛	Br. Elec. 3% '68-73	87⅛	87⅛	3 18 9
86½	82⅞	Br. Elec. 3% '74-77	86⅜	86⅜	3 18 7
101⅛	99⅛	Br. Elec. 4½% '74-79	100⅛	101⅛	4 4 8
100⅜	99⅛	Br. Elec. 4½% "A"	100⅛	100⅛	4 4 8
91⅛	88⅛	Br. Elec. 3½% '76-79	91⅛	91⅛	4 0 6
82⅛	76⅜	Br. Tpt. 3% '78-88	80⅜	80⅜	4 0 4
87⅛	85⅛	Br. Tpt. 3% '68-73	87⅛	87⅛	3 18 9
99⅛	95⅛	Br. Tpt. 4% '72-77	97⅛	97⅜	4 3 9
80⅜	76⅛	Br. Gas 3% '90-95	80⅜	80⅜	3 19 2
95⅛	91⅛	Br. Gas 3½% '69-71	94⅛	95⅛	3 18 10
91⅛	87⅛	Br. Iron & Steel 3½% '79-81	91⅛	91⅛	4 1 3

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Prices, Year 1953 Jan. 1 to June 3		Ordinary Stocks	Price, May 26, 1953	Price, June 3, 1953	Yield, June 3, 1953
High	Low				£ s. d.
6⅝	5⅜	Anglo-Am. 10/-	6⅛	6	5 0 0
6⅛	5⅜	Anglo-Iran. £1	5⅛	5⅛*	6 3 1
81/6	73/6	Assoc. Elec. £1	75/-	75/-	5 6 8
113/6	103/3	Assoc. P. Cem. £1	109/4½	111/3*	5 7 10
131/6	117/-	Bass £1	118/9	120/-	7 3 4
21/4½	19/-	Boots 5/-	19/6	20/3	4 18 9
29/6	21/4½	Brad. Dyers £1	26/6	26/6	7 10 11
25/-	21/4½	Br. Celanese 10/-	24/6	24/-	4 11 8
7/2½	5/8½	Br. Motor Cp. 5/-	6/3	6/3	8 6 5
56/4½	48/6	Br. Oxygen £1	54/3	54/9	5 9 7
$61⅞	$47	Can. Pac. $25	$49½	$48½	5 11 1
48/1½	41/4½	Coats £1	44/6	44/6*	5 12 4
42/7½	37/3	Courtaulds £1	38/6	38/6	5 16 11
44/1½	34/7½	Cunard £1	35/6	36/6	8 15 4
17/7½	15/9½	Distillers 4/-	16/-	16/6	5 9 1
52/-	42/9	Dunlop £1	45/-*	44/4½	7 17 9
30/6	25/1½	Ford £1	26/9	28/3	5 6 2s
46/-	38/6	Gen. Elect. £1	40/7½	40/7½	5 10 9
55/4½	45/4½	Guest Keen £1	47/9	47/-	6 7 8
31/1½	28/3	Guinness 10/-	28/6	28/3	6 0 4
42/10½	36/6	Hawker Sid. £1	38/6	38/6	5 3 11
49/3	41/6	Imp. Chem. £1	43/3	43/-	6 0 11
57/6½	50/1½	Imp. Tobacco £1	52/6	53/-	7 10 11o
$84½	$68½	Int. Nick. n.p.	$71⅛	$71⅛	6 10 8
71/-	48/6	J'burg Con. £1	57/6	53/9	6 10 2
45/6	38/6	Lancs. Cotton £1	41/3	41/-	7 6 4
67/6	61/3	Lon. Brick £1	62/6	62/6	5 12 0
56/3	46/3	Marks & Sp. A 5/-	53/3	53/3	4 15 10
24/4½	19/6	Monsanto 5/-	20/6	20/6	4 9 5
62/3	52/9	P. & O. Def. £1	54/6	55/6	7 4 2
36/3	28/7½	P. Johnson 10/-	29/-	30/-	8 6 8
38½	32⅛	Prudentl. 'A' £1	36⅜	36½	5 5 4
20⅜	15⅜	Rhokana £1	17⅛	17½	12 17 2
66/6	58/6	Rolls Royce £1	61/10½	60/7½*	4 19 0
86/8½	75/7½	"Shell" Reg. £1	85/-	83/9	6 10 4
62/9	54/3	Tube Invest. £1	55/3*	55/3	5 8 7h
55/8½	48/-	Tur. Newall £1	49/-	51/-*	4 18 0g
49/4½	45/7½	Unilever £1	47/9	47/9	5 15 1
28/4½	21/-	Union Castle £1	21/6	23/6	6 7 8
46/3	39/-	Union Disc. £1	42/-	42/-	4 15 3
33/7½	26/7½	Utd. Molass. 10/-	28/9	29/3	6 17 2
41/3	33/3	U. Sua Betong £1	35/-*	35/-	11 8 7
50/3	44/6	Vickers £1	47/6	48/6	6 3 9
56/-	44/3	Woolworth 5/-	53/3	54/-	5 1 10

(*g*) Yield basis 10½%. (*h*) Yield basis 15%. (*n*) Yield basis 7½%. (*o*) Yield basis 20%. (*p*) Yield basis 11½%. (*q*) Yield basis 12½%. (*r*) Yield basis 20·06%. * Ex div.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 30, 1953, total ordinary revenue was £63,096,000, against ordinary expenditure of £63,085,000 and issues to sinking funds £360,000. Thus, including sinking fund allocations of £4,092,000 the deficit accrued since April 1, 1953, was £45,871,000 compared with a deficit of £81,685,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54	April 1, 1952 to May 31, 1952	April 1, 1953 to May 30, 1953	Week ended May 31, 1952	Week ended May 30, 1953
	£'000	Receipts into the Exchequer (£ thousand)			
REVENUE					
Ord. Revenue					
Income Tax	1782,250	198,014	183,082	22,814	13,066
Sur-tax	127,000	16,500	16,000	1,200	1,200
Death Duties	160,000	27,900	33,000	3,400	3,500
Stamps	52,000	9,300	9,600	1,500	1,000
Profits Tax & EPT	214,000	44,200	29,200	3,400	3,800
Excess Profits Levy	99,500	...	6,150	...	250
Special Contribution and other Inland Revenue	1,000	400	220	30	...
Total Inland Rev.	2435,750	296,314	277,252	32,344	22,816
Customs	1044,300	175,081	175,162	19,140	17,643
Excise	680,480	140,664	139,270	21,360	22,245
Total Customs and Excise	1724,780	315,745	314,432	40,500	39,888
Motor Duties	69,000	5,709	6,524	...	...
PO (Net receipts)	2,685	2,000	4,200	*Dr2700*	*Dr1000*
Broadcast Licences	16,000	1,900	2,200	900	1,200
Sundry Loans	25,000	2,083	1,942	...	...
Miscell.	95,000	14,525	12,477	154	192
Total Ord. Revenue	4368,215	638,277	619,028	71,198	63,096
SELF-BALANCING					
Post Office	224,615	33,300	34,500	5,700	5,800
Income Tax on EPT Refunds	3,300	1,252	1,138	243	11
Total	4596,130	672,829	654,666	77,141	68,907
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	95,917	104,399	2,654	2,574
Payments to N. Ireland	48,000	5,841	5,877	...	1,469
Other Cons. Funds	10,000	778	695	39	28
Total	673,000	102,536	110,971	2,693	4,071
Supply Services	3586,286	613,425	649,835	70,559	59,014
Total Ord. Expend.	4259,286	715,961	660,806	73,252	63,085
Sinking Funds	...	4,001	4,092	110	360
Total (excl. Self-Balancing Expd.)	4259,286	719,962	664,899	73,362	63,445
SELF-BALANCING					
Post Office	224,615	33,300	34,500	5,700	5,800
Income Tax on EPT Refunds	3,300	1,252	1,138	243	11
Total	4487,201	754,514	700,537	79,305	69,256

After increasing Exchequer balances by £126,445 to £3,350,353, the other operations for the week increased the National Debt by £6,861,468 to £26,158 million.

NET RECEIPTS (£ THOUSAND)

Nil

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1952	1,000
EPT Refunds	14
Housing (Scotland) Acts, 1950, s. 94(4)	664
Local Authorities Loans Act, 1945, s. 3(1)	4,400
Finance Acts, 1946 and 1947: Postwar Credits	308
	6,386

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
3½% Def. Bonds	935	Treasury Bills	6,664
Tax Reserve Certs	10,883	Nat. Savings Certs.	2,000
Ways and Means Advances	7,990	2½% Def. Bonds	460
		3% Def. Bonds	2,262
		Other debt Internal	1,621
	19,808		12,947

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
May 31	2,710·0	1,484·5	299·7	4·5	...	4,498·7
1953						
Feb. 28	2,860·0	1,446·0	256·7	...	...	4,562·7
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
„ 14	2,820·0	1,540·5	275·1	...	...	4,635·6
„ 21	2,810·0	1,569·5	332·2	...	...	4,711·7
„ 31	4,406·6		303·5	3·8	...	4,715·9
April 11	2,880·0	1,585·3	243·7	...	...	4,709·0
„ 18	2,950·0	1,542·3	298·6	...	...	4,791·0
„ 25	2,990·0	1,514·8	288·2	...	...	4,793·0
May 2	3,010·0	1,478·8	256·6	...	...	4,745·4
„ 9	3,030·0	1,462·3	238·6	3·5	...	4,734·4
„ 16	3,050·0	1,484·2	236·0	...	...	4,770·2
„ 23	3,080·0	1,467·5	247·1	...	...	4,794·6
„ 30	3,100·0	1,440·9	255·1	...	...	4,796·0

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment: s.	d.	Allotted at Min. Rate %
1952						
May 30	240·0	307·1	240·0	47	8·25	71
1953						
Feb. 27	230·0	314·4	230·0	48	0·25	66
Mar. 6	240·0	326·9	240·0	48	0·25	65
„ 13	250·0	256·4	250·0	47	11·74	57
„ 20	260·0	351·0	260·0	47	11·78	63
„ 27	250·0	334·6	250·0	48	0·20	67
Apr. 2	230·0	322·8	230·0	48	3·93	60
„ 10	250·0	357·6	250·0	48	4·20	62
„ 17	230·0	360·8	230·0	48	3·51	45
„ 24	210·0	330·3	210·0	47	8·04	58
May 1	210·0	351·1	210·0	47	7·37	34
„ 8	240·0	347·4	240·0	47	7·83	56
„ 15	250·0	345·8	250·0	47	8·01	62
„ 22	250·0	343·3	250·0	47	7·94	62
„ 29	260·0	346·9	260·0	47	4·01	70

On May 29th applications for 91 day bills to be paid from June 1 and June 3 to June 6, 1953, were accepted dated Monday and Wednesday to Saturday as to about 70 per cent at £99 8s. 2d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £270 million were offered on June 5th. For the week ended June 6th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals 8 weeks ended: May 24, 1952	May 23, 1953	Week ended May 23, 1953
SAVINGS CERTIFICATES			
Receipts	18,900	31,000	3,300
Repayments	24,200	21,400	3,300
Net Savings	*Dr 5,300*	9,600	nil
DEFENCE BONDS			
Receipts	6,535	13,105	1,450
Repayments	11,520	15,365	1,825
Net Savings	*Dr 4,985*	*Dr 2,260*	*Dr 375*
POST OFFICE AND TRUSTEE SAVINGS BANKS			
Receipts	112,706	119,804	13,757
Repayments	119,543	136,373	18,453
Net Savings	*Dr 6,837*	*Dr 16,569*	*Dr 4,696*
Total Net Savings	*Dr 17,122*	*Dr 9,229*	*Dr 5,071*
Interest on certs. repaid	6,550	6,206	957
Interest accrued	19,697	19,754	2,449
Change in total invested	*— 3,975*	*+ 4,319*	*— 3,579*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

JUNE 3, 1953

	£		£
NOTES ISSUED:—		Govt. Debt	11,015,100
In Circulation	1543,647,288	Other Govt. Securities	1585,772,269
In Banking Department	56,709,535	Other Securities	700,921
		Coin (other than gold)	2,511,710
		Amount of Fid.— Issue	1600,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1600,356,823		1600,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	334,959,439
Rest	3,510,761	Other Securities	18,352,351
Public Depts.	56,220,275	*Discounts and Advances*	*6,520,000*
*Public Accts.**	*11,771,960*	*Securities*	*11,832,351*
H.M. Treas.			
Special Acct.	*44,448,615*		
Other Depts.	337,591,264		
Bankers	*267,081,533*	Notes	56,709,535
Other Accts.	*70,509,731*	Coin	1,875,975
	411,875,300		411,875,300

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952: June 4	1953: May 20	May 27	June 3
ISSUE DEPT. :—				
Notes in circulation	1,420·1	1,523·6	1,532·4	1,543·6
Notes in Banking department	30·3	26·8	17·9	56·7
Government debt and securities*	1,446·7	1,546·8	1,546·7	1,596·8
Other securities	0·7	0·7	0·8	0·7
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT. :—				
Deposits :—				
Public Accounts	12·4	11·3	16·7	11·8
Treas. Special Acct.	0·5	45·7	45·7	44·4
Bankers	258·5	273·2	260·3	267·1
Others	70·0	70·2	71·0	76·5
Total	341·4	400·4	392·7	393·8
Securities :—				
Government	296·2	365·1	364·0	335·0
Discounts, etc.	12·6	6·6	6·0	6·5
Other	18·9	17·9	20·9	11·8
Total	327·7	389·6	390·9	353·3
Banking dept. reserve	31·8	28·7	19·8	58·6
	%	%	%	%
"Proportion"	9·3	7·1	5·0	14·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,550 million to £1,600 million on June 3, 1953.

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

	May 26, 1952	June 3, 1952	May 19, 1953	June 1, 1953
Cereals and meat	182·4	181·9	202·7	203·1
Other foods	189·2	190·1	198·5	198·6
Textiles	228·0	228·2	221·6	223·0
Minerals	380·5	375·8	344·4	342·9
Miscellaneous	190·3	189·2	181·5	181·6
Complete Index	**222·3**	**221·5**	**221·3**	**221·5**
1913=100	*805·9*	*804·8*	*304·4*	*804·7*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 6d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 6d. per fine ounce. Spot cash prices during last week were as follows:—

1953	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 28	74·00	85·25	162 5	87 11
„ 29	74·00	85·25	162 6	88 2
„ 30	Markets closed		162 4	87 14
June 1	74·00	85·25	163 0	88 0
„ 2	Closed	85·25	162 2	88 0
„ 3	74·00	85·25	159 2	89 9

COMPANY MEETINGS

CAMMELL LAIRD & COMPANY, LIMITED

ANOTHER SATISFACTORY YEAR

SHORTAGE OF STEEL AND SKILLED PERSONNEL RETARDS PRODUCTION

SUBSTANTIAL VOLUME OF ORDERS IN HAND

MR J. C. MATHER ON MAINTAINING COMPANY'S FUTURE WELL-BEING

The eighty-ninth annual general meeting of Cammell Laird & Company, Limited, was held on May 29th, at Birkenhead.

Mr J. C. Mather, JP, the chairman, who presided, said:

Ladies and gentlemen,—Before proceeding to the business of our eighty-ninth annual general meeting, I would like to extend a welcome to Mr J. H. Bromfield, who has recently been appointed to the board and therefore comes before you for election. Mr Bromfield brings experience and qualities of mind which I am sure will be of great help to us in the direction of the company's affairs.

I am glad to be able to report that we have again had a satisfactory year, and before going any further I would like to pay tribute to all those who have worked together to produce these results and maintain the reputation of the company, the managing director, the management, staff and workmen. Too much is heard these days of the two sides of industry, but it is only by real team work, such as generally exists in this yard, that success can be achieved.

During the year Mr Bernard Jones, our secretary and Mr James Watters, our shipbuilding manager, were awarded the OBE; and in the New Year's Honours List this year, Mr Robert Smith, our head foreman electrician, received the MBE. I am sure you will share our pleasure at this recognition of the long and loyal service which these gentlemen have given to the country and to your company.

BALANCE SHEET FEATURES

Turning now to the accounts for the past year and dealing first with the assets shown in the balance sheet, it will be noted that whereas for some years additions to properties have been more or less equalled by depreciation written off, thus stabilising the net total at about £1 million, the additions for 1952, at £178,000, are £90,000 more than the year's depreciation figure. Two of the factors contributing to this are the inflated costs of capital expenditure and the suspension, as from April, 1952, of the initial allowances on such expenditure. In spite of these adverse circumstances we must keep our shipyard well equipped on modern lines in order to meet growing competition, especially from abroad. The increase in trade investments of about £40,000 represents instalments paid on account of two tugs (being built by us for local owners) in which we have taken a financial interest. Under current assets, stock in trade and work in progress again show a substantial increase over last year, due to further rises in costs and delays in the delivery to us of essential components. A corresponding increase is shown in the total of instalments received on account of work-in-progress.

You will remember that in my statement last year, I mentioned that we had decided to reduce our bank balance and add to our investments, and this is reflected in this year's accounts. During the year, advantage has been taken of favourable opportunities to sell a large proportion of our long-dated Government securities and re-invest in shorter dated stocks. Apart from the advantage to us of holding the latter, an appreciable gain in the comparative market value of the stocks has, in fact, resulted, and with the improvement in market values since the end of the year a considerable amount of the book loss referred to in Note 1 on the accounts has now been recovered. The balance sheet shows a difference of about £350,000 between the book value and market value of quoted securities: since the end of the year with improved market values, the deficiency has almost disappeared.

Turning to the other side of the balance sheet, you will notice that we have transferred the EPT postwar refund, which is no longer required, to a new capital reserve for the increased replacement costs of fixed assets: a transfer is also made to this reserve from the appropriation account in order to bring the total to £500,000. Further additions will be made to this reserve as circumstances dictate and as profits allow. General reserve has been increased to £2,150,000 by the transfer of £65,000 from appropriation account and £60,000 from tax provision no longer required.

PROFIT AND LOSS ACCOUNT

In the profit and loss account, the increase in trading profit is again due principally to the inclusion of a proportion of profit earned on work-in-progress, for the same reasons as those mentioned last year.

The increased profit results in a corresponding increase in the provision for tax, but we welcome the reduction in income tax made by the Chancellor in his recent Budget as a step in the right direction. It is a step—and we are told that it is part of a three-year plan—towards the recognition of industry, and the individual, as responsible people, because it makes it a little easier for all of us to put on one side the savings by which alone the future can be safeguarded. It is strange that in this country the function of profits should be so misunderstood. They should be regarded in part at least as a means of keeping plant and equipment up-to-date and so help to maintain employment. Although your company was not affected by the Excess Profits Levy, its abolition will be generally welcomed; but I personally cannot raise much enthusiasm for the restoration of initial allowances. They are, at best, a substitute for the savings which industry ought to be allowed to retain from its operating profits.

NET PROFIT AND DIVIDEND

The net profit for the year, after again appropriating £60,000 for depreciation in the value of trading stocks, amounts to £655,227 and your directors recommend that approximately 55 per cent of this sum should be paid to the stockholders, the remainder being put to reserve. Were it not for the substantial reserves of the company, to which I shall refer later, we would regard 45 per cent of the net profit saved for the future as too low a proportion, but in the present circumstances we believe that it is reasonable. There has been a general tendency to restrict dividends in the hope of restricting wage demands, but this policy does not appear to have had much success. Stockholders and workpeople alike should have as much return for what they put into the business as is compatible with maintaining the health of the undertaking for the benefit of both. The dividend this year has been increased to a total of 15 per cent, a figure which your board hopes it may be possible to maintain for the next two or three years. In addition, a special bonus of 2 per cent, tax free, is recommended for the current year.

ANALYSIS OF EACH £1 OF REVENUE

Last year I gave details of the way in which each pound of revenue earned by the company is accounted for, and I think you may be interested to know the equivalent figure for 1952. This year the increased cost of materials raised this item from 8s. 10d. to 9s. 5¼d., leaving 10s. 6¾d. to pay those engaged in the business, put something on one side and pay the stockholders a dividend. Wages this year accounted for 5s. 10½d. and overhead expenses and depreciation for 2s. 2d. Both these items are relatively lower than last year, due to the inflated cost of turnover. The resultant gross profit amounts to 2s. 6¼d., of which taxation takes slightly less at 1s. 5¾d., and the remaining 1s. 0½d. is divided between savings (5½d.) and dividend (7d.).

STEEL INTEREST

The liquid resources of the company, to which I have already referred, are, of course, being retained in that state pending a decision in regard to the reacquisition of our holding in the English Steel Corporation. I had hoped that by this time I should have been able to give you some information, but as you know, the Iron and Steel Bill has only just received the Royal Assent and the Realisation Agency responsible for returning the steel industry to private ownership has not yet been set up. The possession of a substantial interest in a concern such as the English Steel Corporation has obvious advantages to a company of this kind. Until it is known what interest can be acquired in the English Steel Corporation, and upon what terms, your board cannot decide whether the reacquisition of such an interest is desirable or not. I very much hope that we shall obtain the information upon which to make a decision without much further delay, for until

this is decided, it is impossible to know how much is available for other requirements.

SAFEGUARDING COMPANY'S FUTURE WELL-BEING

Whatever may be the position in regard to English Steel, or any other possible trade investments, you will appreciate that the first duty of your board is to ensure the future well-being of the company. This means that provision must be made to keep the yard, with all its plant and equipment, in the most efficient and up-to-date state. Only by doing this will we be able to weather the economic storms which may be ahead. It is clear that heavy capital expenditure will be necessary, and in fact your board is already considering plans for this. These cannot, however, be implemented immediately without interfering with the very full shipbuilding programme which we have on hand. The industry of this country, so far as one can see, is going to be short of capital for many years to come; owing to good fortune or good management, as you like, in the past, we are more fortunate than most in this respect. It seems to me that it would be unwise to throw away this advantage and stockholders will, I am sure, realise that any future application to the public for further capital might well be very expensive and in any case would mean more stockholders to share in the profits of the company. The maintenance of the future health of the company is, I am sure, of more interest to the stockholders than any immediate distribution.

METROPOLITAN-CAMMELL CARRIAGE AND WAGON COMPANY

The Metropolitan-Cammell Carriage and Wagon Company, Limited, started the year with a record order book but—owing to continued difficulties with steel supplies—has been working under uneconomic conditions. Production has constantly been held up and the number of men employed has had to be reduced by some 800 since 1951.

The value of deliveries has actually been higher than in any previous year, but this is rather an indication of the rise in costs and prices than of increased production.

Most of the large wagon shipments were for Commonwealth countries and considerable numbers of passenger coaches were shipped to Rhodesia, Ceylon and Egypt. To British Railways the company supplied bolster wagons for steel traffic, hopper ballast wagons, and a number of the new standard steel coaches.

OVERSEAS ORDERS

More than 70 per cent of the value of orders at the beginning of 1953 was for export. The production programme for this year includes passenger coaches and goods wagons for railways in Africa, Rhodesia, Australia, New Zealand, India, Pakistan, Egypt, the Sudan and Argentina, as well as for British Railways.

The intake of orders has fallen off during the last three or four months, due very largely to the lack of purchasing power and exchange difficulties in a number of countries. Foreign competition has also been increasing.

In spite of these difficulties there are still many unfulfilled demands in the world for rolling-stock and big export opportunities exist. To take advantage of these opportunities British builders will be faced with increasing demands for prolonged credit and some priority in steel supplies is going to be essential to enable them to quote satisfactory and competitive deliveries.

Large shipments of "Olympic" integral type buses were made to South America from the Company's Bus Body factory. Output of chassis-mounted 'buses also was maintained for London Transport Executive and other public transport operators.

SHIPYARD ACTIVITIES

At out shipyards here in Birkenhead we launched nine ships totalling 67,170 gross tons and delivered eight ships totalling 69,744 gross tons. One of these vessels, the *British Crown*, owned by the British Tanker Company, Limited, is the largest tanker yet to be built at our works, having a gross tonnage of 18,600 tons and a deadweight capacity of 28,572 tons. We also had the privilege of constructing the *Manchester Pioneer* and the *Manchester Explorer* for Manchester Liners, Limited. These ships were specially designed and built for initiating a new service between Manchester and the Great Lakes, and were, in fact, the first British ships regularly to be employed between the United Kingdom and the ports of the Great Lakes.

Apart from merchant work, we were also busily engaged on a number of contracts for the Royal Navy, and I am pleased to report that steady progress has been made on the fitting out of HMS *Ark Royal*.

Our Ship Repairing Department has again been fully occupied, and repairs and refits were carried out on some 112 ships for both merchant owners and the Royal Navy.

We were very pleased to be associated with the atomic experiment in the Monte Bello Islands, since the aircraft carrier *Campania* and the tank-landing ship *Narvik* were fitted out by us to enable them to take part in the operation. We understand that both vessels gave a good account of themselves.

Our greatest difficulty in 1952 was the acute shortage of steel and the fact that steel deliveries were at times out of sequence with the work we had on hand. In addition to this, we were also handicapped by a deficiency of skilled engineering personnel which has been common to most industrial undertakings in the past eighteen months. These difficulties had a retarding effect on our production, which we hope will be remedied.

THE OUTLOOK

As far as the future is concerned, we have orders on hand which should keep us busy for some time to come, and many of you will no doubt have read in the Press in recent months that your company has been entrusted by the Anglo-Saxon Petroleum Company, Limited, with an order to build a tanker with a gas turbine machinery installation. This, in all probability, will be the world's first merchant ship to be propelled exclusively by this type of machinery.

I have referred also to the possibility that difficulties lie ahead. Competition from abroad, both here in Europe and in Japan, is growing fast. Freight rates have fallen sharply, and as they fall the readiness of shipowners to commit themselves to building contracts diminishes. Already new orders are scarce. In the face of these facts, it is your Board's duty, both to the nation, to the stoekholders and to the workpeople, to ensure as far as lies in its power that costs are kept down to the absolute minimum. I very much hope that the trade unions and those responsible for the present demands for further wage increases will reconsider them in the light of this overriding duty.

The report and accounts were adopted.

The retiring directors, Mr J. H. Bromfield, JP, Mr P. B. Hunter and Mr C. L. Mason, MIME, were re-elected.

The remuneration of the auditors, Messrs Cooper Brothers and Company, was fixed, and, the other business of the meeting having been transacted, the proceedings terminated.

GUARDIAN ASSURANCE COMPANY, LIMITED

ANNUAL GENERAL MEETING—JUNE 3, 1953

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

Extracts from the Directors' Report:

LIFE DEPARTMENT

Net new sums assured amounted to £9,008,230, being a slight reduction on the previous year. Immediate annuities were issued in consideration of single premiums of £385,983 and deferred annuities for single premiums of £405,968.

The net rate of interest earned on the fund was £4 5s. 5d. per cent and the fund increased during the year to £20,487,931.

REDEMPTION ASSURANCE ACCOUNT

A valuation at the end of the year revealed a surplus of £20,677, of which £10,000 has been transferred to profit and loss. The fund at the end of the year after the transfer was £2,949,069.

FIRE DEPARTMENT

The net premium income increased during the year by £607,670 to £4,344,935. The loss ratio was 42.1 per cent, and after providing for unexpired risks on the usual 50 per cent basis the surplus transferred to profit and loss was £484,827.

ACCIDENT AND GENERAL DEPARTMENT

The net premium income increased during the year by £766,729 to £4,635,791. The loss ratio was 55 per cent against 56.8 per cent in 1952, and after providing for unexpired risks on the usual 45 per cent basis the surplus transferred to profit and loss was £193,420.

MARINE DEPARTMENT

The net premiums amounted to £1,508,917 and the first year's claims to 26.1 per cent of the premiums. £225,000 has been transferred to profit and loss, leaving the fund at £1,899,187, representing 125.8 per cent of the premium income.

PROFIT AND LOSS

After making full provision for taxation, including that on the profit for the year, and after transferring £258,000 to investment reserve and £85,756 to general reserve, and after providing for the increased final dividend recommended by the directors of 3s. less income tax (2s. 6d. in 1952) on each ordinary share and meeting the cost of the preference dividend for the year, the balance carried forward was £269,321.

BALANCE SHEET

The total assets of the company and its subsidiaries increased during the year by £3,644,387 to £42,896,740.

ALL THE PRINCIPAL CLASSES OF INSURANCE TRANSACTED

The company undertakes the office of trustee, executor and administrator.

Head Office:
68, King William Street, London, E.C.4.

THE NORTHERN ASSURANCE COMPANY, LIMITED

117th ANNUAL GENERAL MEETING

FURTHER REMARKABLE PROGRESS

OUTSTANDING NEW LIFE BUSINESS

The one hundred and seventeenth annual general meeting of The Northern Assurance Company, Limited, was held on May 27th, at Aberdeen, Mr George Francis Collie, MBE, chairman of the Aberdeen board, presiding.

The following is an extract from the chairman's statement which had been issued with the report and accounts:

If an institution such as ours has one especial duty, it is to bring an informed judgment to bear on long-term policy, to build to a design without yielding to the distraction of passing events. Often in recent years it has seemed that there were few virtues, and fewer rewards, in taking the long view. Expedient followed recurring crisis; thrift was frustrated; and inflation made responsibility for other people's money a thankless task. No peace-time year in recent memory has shown such marked—and such welcome—changes in economic conditions as occurred in 1952. Britain was again paying its way; the convertibility of the pound into dollars became a subject of practical discussion and no longer merely a pious aspiration; a new sense of the value of money and savings has attended the rebirth of old faith in the virtues of monetary discipline and in the efficiency of the open market.

These are developments of great significance, capable of exerting a profound effect upon the insurance business. We should be ungrateful not to welcome them, for in the long run nothing is more inimical to sound insurance business than the ever-expanding pressure of inflation and the unceasing depreciation of the value of money. It is, indeed, entirely salutary that these dangerous trends have been checked, even though they may not have been decisively halted.

PROBLEMS CREATED BY ECONOMIC CHANGES

The economic changes of the past year have inevitably created special problems in the management of a great institution like the Northern. But for the exercise of the foresight to which I have referred, they could have confronted us with considerable embarrassment. For example, the market values of the main classes of Stock Exchange securities again fell last year, as interest rates rose. But you will be glad to know that the inevitable depreciation which occurred to the Northern's growing investment portfolio was relatively modest, and you will observe from the accounts that the aggregate market value at the end of the year was in excess of the book value. I think that shareholders will agree that this is a most satisfactory outcome for a difficult year. More important, however, are the new opportunities for wise investment that the new basis of interest rates has given us; in due time, they can be expected to enhance the security that policyholders and shareholders already enjoy.

THE YEAR'S RESULTS

During the past year the Northern and its associated companies have made further remarkable progress. Every department of the Northern achieved new record figures in 1952, and the company's total income increased by no less than 20 per cent over the previous year. In the life department, the rate of expansion is dramatic: new life sums assured in 1952 jumped to £10,491,955, compared with £7,385,921. Our figures show the truly impressive increase of 42 per cent, whereas the total new business of all insurance offices in Great Britain in 1952 showed a relatively modest gain of about 5 per cent. It is gratifying to record such outstanding success in the life department, which reflects the greatest credit on the management and staff.

Our special pensions department is handling a steady flow of new pension schemes, and its advice is sought in an ever-increasing volume of inquiries. If, one day, the law allows self-employed persons to provide pensions for themselves with tax advantages comparable to those enjoyed by employed persons, they will find our pensions department ready and eager to help them.

AN IMPORTANT STEP IN RATIONALISATION AND INTEGRATION

Service to the public must always be our first principle, and we have been anxious to knit the Northern group of companies more effectively together in this task. An important step in rationalisation and integration was taken at the end of last year, when the London and Scottish Assurance Corporation, Limited, ceased to transact new life assurance; as a result the London and Scottish organisation now issues Northern policies. The necessary administrative adjustments have been made smoothly, and there has been no interruption to the flow of life business that the London and Scottish obtains.

Other re-arrangements, which are purely internal in character, have been made to secure greater efficiency in the marine and motor business. From the beginning of this year the control of our own Northern marine underwriting has been passed to our associate, the Indemnity Marine Assurance Company, Limited, and a joint motor underwriting department has been established with the White Cross Insurance Company, Limited.

The development of our widely ranging organisation throughout the world has continued during 1952. We welcome in particular the formation during the year of our new United States Committee, which will undoubtedly be of the greatest value to our interests in that important and expanding market.

DEPARTMENTAL RESULTS

The fire account has yielded a profit of £727,183; this represents 8.3 per cent of the premiums, showing an improvement over the 1951 ratio, which was 6.7 per cent. Our claims experience was again generally favourable at home and in overseas countries, and we secured a modest profit from our fire business in the United States.

In the accident department, the results are dominated by motor insurance. For some years past, motor business has been generally unprofitable, and there are continual difficulties in adjusting premium rates to the cost of claims, particularly in overseas markets. There has been some improvement in our motor experience, but not sufficient to turn losses into profit. It should be borne in mind that we conservatively set aside 50 per cent of the year's premiums to cover unexpired risks; this eminently desirable strengthening of the reserves places a heavy burden on the account, particularly when, as last year, it shows an expansion in premium income of more than 20 per cent. In these circumstances the loss of £153,086 for the accident department as a whole makes a better comparison than at first sight appears with the loss of £162,852 shown for 1951.

Marine experience in 1952 at first gave promise of an improvement on 1951. But there were heavy losses later in the year, including the *Klipfontein*, the *Champollion* and soon after the year end the disaster to the *Empress of Canada*—fine ships insured for approximately £4 million. Our proportion of such losses is bound to be costly to our hull account; meanwhile the cargo market remains highly competitive. The substantial profit transfer of £434,377 from the accounts of underwriting years now nearing completion can be regarded as satisfactory; it is lower than the record figure for 1951, but those results were exceptional as the chairman's statement showed twelve months ago. I must refer to the great expansion in the marine business of the group; premiums have increased to £6,558,981 and the fund itself now stands at the impressive figure of £7,833,177.

PROFIT AND LOSS ACCOUNT

These departmental results are brought together in the profit and loss account. Together with gross investment income of £801,845 earned by the shareholders' funds (against £740,475 for 1951) they produce a total profit of £1,837,644. Of this sum, no less than £1,303,974 is absorbed by taxation at home and abroad, leaving us a net profit of £533,670, which is £80,433 higher than in 1951.

The weight of taxation lies heavily on investment income, severely limiting the net sum from which shareholders derive their dividend. The gross investment income of their funds rose by more than £60,000 last year, but after British and overseas income taxes have been paid, the net sum left is £395,586, an increase of less than £16,000 over the net investment income of £379,946 in 1951. Even this comparison is too favourable, for it does not allow for the incidence of profits tax and excess profits levy.

Shareholders may feel that this is a modest gain for a year of such outstanding progress. But it is right, in the view of the Board, that they should participate—to the extent that the security of the company and the depredations of the tax-gatherer permit—in the fruits of the Northern's growth. Your directors therefore recommend a final dividend on the ordinary shares of 10s. making with the increased interim dividend already paid a total distribution of 18s. per share. This will entitle the holders of the 6 per cent participating preference shares to a further dividend of 8s. 0.716d. per share, payable with the usual half-yearly dividend on July 1 next.

TRIBUTE TO MANAGEMENT AND STAFF

The expanding strength and high reputation of the Northern and its associated companies rest in the hands of the men and women who devote their thought and endeavour to its service. To our new general manager, Mr T. W. Haynes, on who the primary weight of responsibility hasfallen, and to the whole of the Northe team throughout the world—boards, managent, staff and representatives—we expres our warmest gratitude and thanks.

The report and accounts were adopte and the special resolution adopting th new articles of association was passed.

THE DAILY MIRROR NEWSPAPERS LIMITED

INTENSIFIED COMPETITION

STRONG POSITION OF "DAILY MIRROR"

MR CECIL H. KING'S REVIEW

The thirty-third annual general meeting of The Daily Mirror Newspapers Limited was held on May 29th, at the Memorial Hall, Farringdon Street, London, E.C. Mr Cecil H. King, the chairman and managing director, said:

As you have seen from the accounts, the net profits before taxation decreased by about £61,000 from £1,676,708 to £1,615,672, the previous year having been, as you recall, an outstandingly good one.

The position at the close of the financial year was quite substantially affected by the severe floods which in February did much damage to our newsprint stocks at Purfleet. That month we received over £275,000 from the underwriters on account of the cost of some of our newsprint which was definitely rendered useless. This made our stock position lower than it would otherwise have been, and our cash position prettier.

But the condition of the remaining part of our stocks at Purfleet remained uncertain. In the circumstances, we thought it prudent to regard this part as undamaged, and to provide some £66,000 out of the year's profits to write it down to market value. Now that more information has come to light, we anticipate that a substantial proportion of the written down stock will be found useless, and that its full original cost will consequently be recovered from the underwriters.

The figures reflect as usual the massive financial strength of your company. The dividend is being maintained; the reserves and carry forward are increased by £238,892. I will not harp on this theme, but give you a quick survey of the company's business and prospects as I see them.

LARGEST DAILY SALE

Our sale, the foundation of any newspaper's prosperity, is running around 4½ million, the largest of any daily newspaper in the world and an appreciable increase on last year. In the course of the year a reorganisation of the editorial department was effected and Mr Silvester Bolam, our editor for the last five years, resigned in January. It was with deep regret that we learned of the very sudden death in April of this sincere and distinguished journalist. We now have as acting editor Mr Jack Nener, with Mr Hugh Cudlipp as editorial director. The new arrangement is working well, and in spite of increased competition I am hopeful that we shall more than hold our own.

We are still printing on much the same plant that we had before the war, though in the interval our sale has nearly trebled. This is making it more and more difficult to publish our paper—and in addition we have leased our premises at Back Hill to the London County Council for use by the London School of Printing, and they are pressing us to vacate them.

Through an associated company a long lease of premises in Stamford Street by Waterloo Station has been acquired, and it is our hope that we shall be able to operate from there some time in the coming twelve months. We have had delays over building licences, but when we do finally print the paper there we shall have the finest newspaper printing plant in the world.

ECONOMIC TRENDS

The principal changes in the economics of newspaper publishing in the last twelve months have been a decreasing price for newsprint, larger newspapers, higher wages and more competition. At one time the resultant of these forces was that three of the national newspapers were losing money. As competition warms up—and with the advent of sponsored television which may eat into their advertisement revenues—it is likely that our weaker sisters will be hard put to it to survive.

Though I hope there is no question of Fleet Street returning to the ludicrous antics of the thirties, we have recently had two national newspapers offering motor cars in entry-free competitions as an inducement to the public to become readers. And it is well known that some newspapers make a larger profit from paid-entry competitions—so-called tests of skill—than they do from the newspaper itself.

COST OF NEWSPRINT

The most important single factor in the trading sheet of a newspaper is the cost of its newsprint and there has recently been a recession in the cost of this our raw material. It is still, however, over five times its prewar cost. Newsprint in this country has been rationed since the early days of the war, but nowadays rationing affects very few newspapers. In a recent period only 3 per cent of all British newspapers took their whole ration. We have not taken up our full quota for a long time.

The price is still high, but so is world demand, and it is not thought that the price will decline further to any appreciable extent, unless there is a recession in trade in the United States.

PAPER MAKING INTERESTS

Your company, as you know, has large interests in paper-making both here and in Canada. Our great Canadian subsidiary, the Anglo-Canadian Pulp and Paper Mills of Quebec, paid the same dividend of $2 a share, but the profits were lower and only just covered the dividend. The decline in profits was due to two main causes, the substitution of a premium for a discount of the Canadian over the American dollar, and the decline in general consumption and in the price of unbleached sulphite pulp of which your company's subsidiary is a large producer. The current year's earnings of the Anglo-Canadian company are expected to be more than 50 per cent above those of last year.

Our other big paper interest is our shareholding in Albert E. Reed, one of the big five paper and board making companies in this country. The results of the past year are not yet available, but it is well known that the sharp drop in pulp prices involved all English paper mills in severe stock losses, and it is not to be expected that Albert E. Reed will prove an exception. Demand in this country has now picked up, pulp prices have stabilised and current earnings are generally believed to be satisfactory.

THE PRESS COUNCIL

For the last three years or so there has been much talk about the Press Council and interminable discussions in which your representatives have played a part. The result seems to us an entirely unacceptable compromise. It was never very clear what the idea of this Council was, but as time wore on, it has evolved as a body on which the Mrs Grundys of the stodgy press will make disapproving noises at their gayer and more prosperous contemporaries.

On the body as at present proposed, it is likely that the popular press, which numerically is the press, will be represented more or less adequately by about five spokesmen, while their more dreary competitors, London and provincial, will enjoy the support of the remaining twenty. When this body comes into existence it is therefore likely that it will frown on "sensationalism," which usually only means big type, on pin-up girls and crime stories, while passing lightly over their own sins of timidity, snobbery, political bias and inaccuracy. Personally, I would judge that the Council is doomed to futility before it starts, and it was with that conviction that we voted against it when it came before the Newspaper Proprietors Association.

During the year a Defamation Act was passed which has slightly ameliorated some of the more flagrant injustices of the law. But still the relationship between the damages awarded in a libel action and the damage done to the plaintiff is hard to discern, and the element of uncertainty remains as great as ever.

SPONSORED TELEVISION

What may prove to be the biggest development of the past 12 months for your company is the decision of the Government to introduce commercial television into this country. We immediately applied for a licence and are in active communication with various people who may participate with us in this new development.

You may recall that your company is interested in a group of radio stations in Australia, and it is likely that there too commercial television will be introduced in due course.

What steps we can take in this regard, and when, is not too clear at the present time, but we feel that this great new force in instruction and entertainment is one in which we can play an effective part—and we mean to do so. In the public discussions on the subject it is often stated that the British public would not stand for commercials in its radio entertainment. This, I maintain, is nonsense. The British public, like any other, prefers amusing entertainment to the dull kind, and the former is what commercial TV would certainly provide.

It is interesting to note that our friends at 2 GB, the most popular Sydney radio station, reckon to get about 30 per cent of the radio audience, while the Australian Broadcasting Commission, the equivalent of the BBC, gets about 15 per cent between its two Sydney stations—the balance being made up by several commercial radio stations. In the United States, where practically all television stations are commercial, the newspapers are often part owners of stations which are highly profitable. Though it is only fair to say the worst American programmes are the worst in the world, their best are the world's best.

ATTITUDE OF LABOUR PARTY

At the moment the Labour Party is opposed to commercial TV, though it is

possible that if it were established before they returned to office, they would find it preferred by the viewer and would leave it alone. Their opinion seems a mixture of Socialist doctrine, Puritanism and a fear of the political bias of commercial programmes. It is natural that a Socialist Party would dislike seeing private enterprise re-entering any sphere that has been nationalised, but this argument cannot be considered very weighty. The puritanical outlook is presumably at bottom opposed to all entertainment and prefers the smug qualities of the BBC to the livelier indiscretions of the commercial world. It is likely that many of the radio advertisers would be anti-Labour, but doubtful if they would let their political bias seep into their programmes and still less likely that any such bias would prove effective.

FUTURE PROSPECTS

However, I dare say you would like to know what are the prospects for your company in the coming year. Your newspaper is likely to have another good year, probably not very different from the one just past. The same applies to the *Sunday Pictorial* and *Reveille*. Your paper-making interests are likely to do better than last year, and this is also true of your interests in Australian radio and in West African newspapers. The *Argus* in Melbourne is still losing money but we have hopes of getting this great Australian enterprise into the black in the not so distant future.

Clearly the excellent results of the past year could not have been obtained without the co-operation of all members of the staff. And I should like to close with a note of thanks to all our employees both here and abroad who are contributing to maintain this as the leading British newspaper enterprise.

The report and accounts were adopted.

INTERNATIONAL PAINTS (HOLDINGS)

OVERSEAS ACTIVITY

The forty-fifth annual general meeting of International Paints (Holdings), Limited, will be held on June 22nd in London.

The following are extracts from the circulated statement by the chairman, Mr C. R. Petrie, for the year 1952:

Our paint exports for 1952 were only a fraction short of the record created in the previous year. Quota restrictions and financial regulations continue to hamper the British exporter and in the past year there have been further increases in duties and in other restrictions which have made our trading abroad more difficult, particularly with the South American countries. For this reason we formed recently in Venezuela Pinturas "International" C. A., a company to produce at Maracaibo our requirements for that country. We hope that by the end of the present year this company will be in production and prove yet another safeguard to our world-wide trading interests.

The Consolidated balance sheet records the total assets of the group at £7,772,069, comprising fixed assets of £1,364,124, trade investments at £90,471, and current assets at £6,317,474, whilst current liabilities are £1,988,995, leaving a group worth of £5,783,074. Deducting the outstanding debentures of our Canadian subsidiary £66,176 and the Minority Interests £797,926, there remains a sum of £4,918,972, representing the interests of shareholders of International Paints (Holdings), Limited, in the group undertakings, as compared with £4,449,100 a year ago.

TATE & LYLE

SUGAR DE-RATIONING

LORD LYLE'S SPEECH

The fiftieth annual general meeting of Tate & Lyle, Limited, was held on May 28th in London.

The Rt Hon Lord Lyle of Westbourne (the President) in the course of his speech, said:

Sugar has been rationed for thirteen and a half long years. But now at last it is to be freed. The Minister of Food has negotiated the purchase of a very large amount of sugar to supplement an ever increasing flow from the Empire. Together these supplies are adequate to meet the unrationed requirements at home and the remarkable increase in demand of the rest of the Sterling Area. Major Lloyd George has left nothing to chance; he has tackled the problem in such a way that rationing and controls can be swept away at one fell swoop and he is to be congratulated for his breadth of vision. The speed with which he is liquidating his Ministry has our admiration.

LARGE INCREASE IN SUGAR CONSUMPTION

Before announcing the derationing of other things the Ministry has been able to arrange that consumption will not increase greatly. This has not been so with sugar. The minimum average increase in consumption cannot be less than 25 per cent. The time of year and the possibility of a buying spate will temporarily produce an even larger increase. Obviously, therefore, if we are to avoid empty shops there must be some degree of caution. The increases which took place on May 17th brought the rate of consumption approximately to what it can be expected to average when things settle down. Only a short experience at this level of distribution while transport and other things adjust themselves to a temporary higher rate of working, should be necessary before the next steps are taken.

Our own refineries, by good fortune—and if I may say so, by good foresight—are absolutely ready to meet the increased demand and any enforced delay will not be due to inadequate capacity. While continuing to do more than 10,000 tons a week of export, we have already stepped up home trade output by thirty per cent over January to March production. In July, when an extension to one of our London Refineries comes into operation, we can increase this to fifty per cent if the demand requires it.

As soon as rationing is out of the way and the present restraints on trading are removed, the question of buying raw supplies through normal channels instead of by Government agency must be tackled with determination.

THREAT OF NATIONALISATION NOT OVER

I am not one of those people who believe that all threats of nationalisation are over. I marvel at the attitude of some industrialists who are most certainly vulnerable, yet who seem to consider that the best policy is to hide one's head in the sand, hoping that by keeping very quiet indeed they will not be noticed. I have heard it said that one must not introduce politics into business. I fail to understand the amazing attitude that to defend one's property against the despoilers is to indulge in politics. The same people advocate that we should wait until we are attacked; the attack has already opened, and we have been amply warned that if the boys ever get back with a sufficient majority, further large schemes for nationalisation will be introduced. Now is the time to make the people of Britain realise what nationalisation means—unhappy conditions under impersonal rule for the workers, bad service and inefficiency for the general public, resulting in loss of overseas' trade and higher prices for consumers.

Following the practice of recent years, we have included with the report and accounts a statement showing the breakdown of the company's income and this will be widely published in cartoon form in tomorrow's Press. I do feel, however, that it is important that I should mention here that out of every £1 of income only three halfpence went to stockholders in the form of net dividends, a point which may be conveniently forgotten by the ignorant and malevolent who might desire to criticise the size of the profit figures.

CAPITALISATION OF RESERVES

You will, I am sure, approve of the step we have taken to bring the issued capital of the company more into line with the capital employed in the business. A proposal will be put to you later in this meeting to capitalise £1,750,000 out of the sum standing to credit of general reserve and apply it in restoring the nominal amount of the company's ordinary stock units to £1 each. The capital now employed in the business has to a great extent been built up out of undistributed profits put to revenue reserves.

On the basis of the balance sheet of September 27, 1952, total assets amounted to approximately £13,300,000. This compares with a total issued and loan capital of £6,394,000 which will become £11,144,000 after bringing into the accounts the proposed capitalisation of profits of £1,750,000 and the increase in loan capital resulting from the recent issue of £3 million debenture stock.

TURNOVER EXCEEDS £95 MILLION

In assessing the company's present financial position we should remember the change which has occurred in the volume of the company's trade over the last few years. In the year to September, 1947, the company's turnover was approximately £56 million, and at the end of that year stocks of raw and refined materials amounted to just over £4 million. For the year to September, 1952, the value of turnover exceeded £95 million, and stocks at the end of the year exceeded £7 million. The stock figure reflects the higher value of raw and refined sugar stocks consequent upon the higher price paid by the company for raw sugar purchased from the Ministry of Food from April 1, 1952.

Although the total of bank and short-term loans was only £2,342,000 at September 27, 1952, these two items had increased to nearly £5 million by the end of March, 1953, and trading stocks also showed a further increase at nearly £8½ million.

Taking all these circumstances into consideration, your directors came to the conclusion that it was essential to increase the permanent working capital of the company by the issue of the new debenture stock. The debenture was for three million pounds issued at 98½ and bearing interest 4½ per cent. The public and our shareholders found the terms sufficiently attractive to apply for over one hundred million pounds.

The report was adopted and the capitalisation of reserves was approved.

SUNDAY PICTORIAL NEWSPAPERS (1920) LIMITED

WORLD-WIDE INTERESTS

PROGRESS AND EXPANSION

MR CECIL H. KING'S STATEMENT

The thirty-third annual general meeting of Sunday Pictorial Newspapers (1920) Limited was held on May 29th, at the Memorial Hall, Farringdon Street, London, E.C. Mr Cecil H. King, the chairman and managing director, said:

You will have seen from the circulated accounts that the trading profit of your company is somewhat down: the investment income somewhat up. On balance there is a drop of about £44,000 before taxation. The decrease in trading profit was partly due to the extra pages we were able to publish, larger newspapers being less profitable owing to the price of newsprint.

During the year the editorial side of the newspaper was reorganised. Mr Hugh Cudlipp, editor of the *Sunday Pictorial*, who joined the board during the year, was made editorial director of both the *Daily Mirror* and *Sunday Pictorial*. Mr Colin Valdar, assistant editor of the *Daily Express*, who was with us for some years during and after the war, accepted the post of editor and joined us early in May.

INCREASED CIRCULATION

The circulation of a newspaper is the essential foundation on which all else depends, and I am sure you will be glad to know that your paper increased its sale by 200,000 over 12 recent months and is now in the second place in this country and in the world. We are not, however, resting on our laurels and I hope to be able to report next year an even higher figure.

The higher sale enabled us to effect a small increase in our advertisement rate in February this year. In spite of this increase our columns are fully booked—perhaps because our square inch per thousand rate still shows a smaller percentage increase over prewar than that of any other Sunday paper.

THRIVING NEWSPAPER INTERESTS

As you know, your company has a large interest in the *Daily Mirror*. This interest was reduced during the year by the sale through the Stock Exchange of a million or so non-voting *Mirror* "A" stock units. This was due to a desire to improve your company's liquidity and to enable us to take advantage of any opportunity for profitable investment that might be offered us. The *Daily Mirror* sale is up and has touched its highest level since the increase in price to 1½d. We are hopeful that this increase can be maintained in spite of increased competition both from the rejuvenated *Sketch* and from our ever-brilliant and resourceful contemporary, the *Daily Express*.

Our interests include, as you know, a third main newspaper property in *Reveille*, which has grown since 1947 from a sale of under 100,000 to something over 3,600,000. In the past year its profits were lower because of increased publicity costs. This was due to the lively efforts of the *Weekly Overseas Mail* and of *Tit-Bits* to muscle in on our market. That *Reveille* has no cause for complaint at the measure of success which its competitors—or shall I say imitators—have had is evident from the circulation figures I have quoted, which represent an increase of 550,000 on the year.

RISING SALES IN WEST AFRICA

In West Africa we are now interested in three newspapers. The first acquisition was the *Daily Times* in Nigeria. This paper increased its price to 1½d. during the past year and this led to a temporary set-back in the sale, but now the sale is rising again and in March showed an increase of 2,000 a day over last year. The sale is now round about 50,000 and that company seems to be on a steady profit-making basis. It is building a newspaper office in Central Lagos in three stages, of which the first is nearly complete.

On the Gold Coast the *Daily Graphic* has come up from 3,000 to 41,000 in 2½ years. It has given us great pleasure to welcome Sir Leslie M'Carthy, the distinguished Gold Coast jurist, on the board of the *Daily Graphic* company. Sir Leslie also recently became chairman of the new Gold Coast government-sponsored National Bank. Our hope that the *Daily Graphic* company would by now be earning steady profits has not been realised, though it got out of the red in two recent months for seasonal reasons. Here, too, building is taking place and here, too, I am confident that we have a fine investment that will improve with the years. Both in Lagos and in Accra a Sunday paper is being planned and this should hasten the day when steady profits are made.

During the past year the *Daily Mail* in Freetown, the leading paper of Sierra Leone, was acquired. It had only a very modest sale, but this has increased under the new management from 1,200 to 5,500 and it is our hope that, when a suitable office has been built and the necessary plant has been installed, we shall have an interest in another West African newspaper able to hold up its head in the company of its flourishing contemporaries in Nigeria and the Gold Coast. In each of these territories our newspaper has a sale greater than that of all other newspapers put together.

INVESTMENTS IN AUSTRALIA

In Australia our main investment is in the Melbourne *Argus*, which was doing very badly when I reported to you last year. But since then there has been an increase in the newspaper's selling price and a reorganisation of the management, and the outlook is a lot better. The sale has remained steady, in spite of the increase in price from 3d. to 4d., and has latterly shown a tendency to increase.

The *Argus* radio stations are very profitable; so is the job printing, but the main newspaper property is still losing money. This is mainly due to the catastrophic drop in advertising revenue that set in early last year and which still persists. It is likely that this will right itself in the coming months and, if it does, the profit and loss account will once more be out of the red. In the meantime everything possible is being done to reduce expenses and expand the advertising revenue.

PICTURES IN FULL COLOUR

Before we acquired our interest in this property the former board had ordered offset colour presses to feed into the newspaper presses. So, in spite of many difficulties and teething troubles, we are now able to print full offset colour in the *Argus*, and do so three or four times a week. This development has caused much interest all over the world and has been favourably received by the newspaper-reading and advertising public of Victoria.

Our other Australian investment is in a chain of broadcasting stations, mostly in the state of New South Wales. During the past year and at the request of the Australian Government we reduced our holding in this group. A proportion of our shares were sold at a small profit to the *Sydney Morning Herald* and to several prominent Australians so as to bring our holding in this group to something under 45 per cent. The group is doing very well and made more money in the first six months of the current financial year than in any full year in its history.

PAPER MAKING IN CANADA

Our paper interests had a set-back last year but are now doing well. The profits of the Anglo-Canadian Pulp and Paper Mills were slightly over $2,100,000 after taxes last year and look like being more than 50 per cent better in the current year. The company is a large manufacturer of unbleached sulphite pulp, in which the market has been none too good. It has also entered the paper board business and has a capacity of about 21,000 tons a year of various grades of board. It has now an interest in a company making semi-transparent glassine paper and is always on the lookout for new opportunities for expansion.

During the year the share interest of your company, and of the *Daily Mirror*, in the Gulf Pulp and Paper Mills was sold for £75,000 to the Amalgamated Press, and your company bought the shares held by the Amalgamated Press in the Anglo-Canadian Pulp and Paper Mills. Our Gulf shares constituted a 30 per cent holding which we have held dividendless since 1920. The cost was originally £300,000 and some of your company's preference shares were issued at 22s. 6d. to pay for this unhappy investment. However, it was long ago written down in your company's books to £1 so it only represents the final end of a venture that did not come off.

BRITISH PAPER MILLS

Our other big investment in the paper industry is in Albert E. Reed, the big Kentish paper makers and converters. Like all English mills they suffered severe stock losses last year but the company is so sound that you have every reason to hope that the annual accounts, when they are published shortly, will still further enhance the reputation of this great enterprise. In the last year it acquired control of the Empire Paper Mills from Associated Newspapers and this has enabled it to extend its interests in the fine paper field. The disastrous floods earlier in the year looked threatening at one time, but in the outcome no appreciable damage was done to any of the Reed properties.

I hope this summary will give you an idea of the many enterprises in which your company is interested. I myself have travelled over 50,000 miles in the past twelve months inspecting the various companies of this group. Anything may happen in this uncertain world but, as far as we know how, we mean to maintain your company's position as a partner in the largest and soundest newspaper enterprise in this, or perhaps any, country.

During the year our relations with our employees have been better than ever and I should like to take this opportunity of thanking all of them for their efforts, without which the results before you would not have been obtained.

The report and accounts were adopted.

THE CONSOLIDATED ZINC CORPORATION

MR JOHN R. GOVETT ON CHANGED PRICE LEVELS

The fourth annual general meeting of The Consolidated Zinc Corporation Limited will be held on June 25th at 37, Dover Street, London, W.1.

The following are extracts from the circulated statement of the chairman, Mr John R. Govett:

The trading balance for the year shows a severe decline compared with 1951 and reflects mainly the fall in the prices of lead and zinc. The net profit for 1952 amounts to £1,671,150, compared with £2,404,708, a reduction of £733,558. We are recommending a final dividend of 2s. per share which will give a total distribution of 3s. per share. In all, the total sum retained by the group out of revenue and capital profits for the year amounts to £1,308,366, which compares with £1,747,302 in 1951.

The year 1952 was one of disillusionment and disappointment to lead/zinc producers. Scarcely had the exhortations of both US and UK governments to increase production become less intense than high prices and restrictions of use began to affect consumption. Current production was already in excess of current requirements at the time when the UK government decided to return these metals to private trading. This step presented a number of difficult problems particularly as it involved the question of government stock disposal. Unhappily it would seem that the measures to solve these problems were not as well contrived as they might have been. The price of lead, which in the UK was £131 on September 30, 1952, fell rapidly on the open market until it reached £73 5s. on April 23, 1953. In the case of zinc a similar picture can be shown; the price on December 31, prior to the opening of the market, was £110, and a low of £63 15s. was reached by April 23, 1953. The resultant losses have been shared by producers throughout the world and must have totalled many millions of pounds.

A SPLENDID ORGANISATION

Our position has changed with much rapidity from one of great prosperity as a result of very high metal prices, to one where profits are greatly reduced and, indeed, can only be achieved with the utmost energy and efficiency on the part of all. None of you, I know, will accuse us of having been lavish in our distribution of dividends during our four years of existence, but equally do I believe we have had your full approval to the retention in the business of comparatively large sums of money; these I can assure you have been—and will be—fully required, especially in view of the difficult times which appear to lie ahead.

I do not wish to conclude this statement on too gloomy a note, so let me add one word of a happier nature—we have built up a splendid organisation both in the United Kingdom and in Australia, our properties are in first-class order and every opportunity is being taken both in exploration for minerals and in the development of new processes which we consider will be of benefit to your company

PRESSED STEEL COMPANY, LIMITED

INCREASED SALES, PROFIT AND TAXATION

BUDGET RELIEF WELCOMED

MAJOR ALBERT PAM ON THE PROSPECTS

The twenty-sixth annual general meeting of the Pressed Steel Company, Limited, was held on May 29th at Winchester House, Old Broad Street, London, E.C., Major Albert Pam, OBE, the chairman, presiding.

The secretary, Mr F. E. Cairns, CA, read the notice convening the meeting and Mr T. Howorth, FCA, of Messrs Price, Waterhouse and Company, the auditors, read the report of his firm.

The following is the chairman's speech, which was circulated with the report and accounts:

Ladies and gentlemen—From the report of the directors and from the accounts for the year ending December 31, 1952, you will have seen that the results of your company have again been satisfactory. Our total sales have increased by over 10 per cent and our profit by £76,000; however, taxation has absorbed £112,000 more than last year and our charge for depreciation and obsolescence is higher by £87,000. Thus our net profit is lower by £123,000, but is still £802,849, after again providing £250,000 for the increased replacement cost of plant, machinery and equipment.

Your board have decided to recommend to you, out of the profits for 1952, a transfer of £500,000 to the general reserve, and together with the usual final dividend of 12½ per cent, less tax, on the ordinary stock, a Coronation year bonus of 5 per cent, less tax. This bonus will absorb £45,574, and, in addition, your directors have decided to mark the occasion by distributing a sum of £50,000 among the employees of the company, based on their years of service. I feel sure that the stockholders will be pleased that the employees, too, should benefit by a special distribution.

THE FACTORIES

As you know, our main activity continues to be the manufacture of motor-car bodies and parts, and nearly all this work is carried out in our Cowley factory, where over 9,000 men and women are employed. We manufacture at our Theale works all the compressor units for Prestcold refrigeration, and these units are assembled into the cabinets at our Cowley factory. The refrigeration business has been very difficult during the year, owing to the many import restrictions in several countries and the heavy purchase tax in the home market. Fortunately, the latter was reduced in the Budget and the export trade also is better; so I am glad to say that our refrigerator sales are again improving.

Our Linwood factory, where we employ about 1,650 people, is working to full capacity on the manufacture of railway wagons and agricultural machinery. We are also carrying out there some important Government contracts. Our total labour force is now over 11,500.

The buildings, plant and machinery of the company in all three factories have again been well maintained, and we have this year added to these works fixed assets to the value of £1,100,000. This represents profits of past years which were not distributed.

MONEY PLOUGHED BACK

In my speech on the accounts of your company for 1947 I gave you some figures to show how much money we had ploughed back into the business. At that date these sums amounted to about £2 million, and, in addition, approximately £1,600,000 had been provided for depreciation and obsolescence, making £3,600,000 in the aggregate. The corresponding figures at the end of 1952 are as follows: £6 million ploughed back and represented by assets such as power presses, machine tools, new buildings at Cowley, the factory and machinery at Theale and the equipment of the factory at Linwood; £2,700,000 has been provided for depreciation and obsolescence and, in addition, £1,500,000 for the increased cost of replacement of plant, machinery and equipment. These figures in the aggregate come to £10,200,000.

In previous years I have given you figures to show how your company's gross profits have been spent. This year, after paying out £5,987,000 in wages, salaries, pensions and National Insurance Fund Contributions, the profit before taxation amounted to £2,493,000. Of this, 67.80 per cent went in taxation, 19.69 per cent was retained in the business and 12.51 per cent was paid in dividends.

LONDON AND PROVINCIAL STORES

Our London showrooms in Regent Street have been well patronised, and we have had good displays at the Motor Show, the Ideal Homes Exhibition and many other London and provincial shows.

On April 25th I had the pleasure of declaring open the sports ground, which we have built for the benefit of our employees on land belonging to the company and adjacent to our works at Cowley. The total area is 32 acres, but we are as yet only using 24 acres; facilities exist for almost every kind of outdoor game. The ground was levelled and resown for us by Sutton and Sons of Reading, who appear to have provided an excellent sports ground, including a large bowling green, all of which will be managed in future by the company's Social and Athletic Club.

On April 11th was held the second annual dinner of the Company's 25-year Club, when 139 new members were given their badges, making a total membership of 230.

Your board were greatly encouraged by the Budget, which was introduced by the Chancellor of the Exchequer on April 14th. As to the future, we are hopeful but not too enthusiastic, because in this country we are still very much under the influence of happenings all over the world. Although we have had much more experience than most nations in international affairs, we are not yet strong enough financially to move independently, or to give the lead to others in what we consider to be the best and safest directions.

FREER INTERNATIONAL TRADE NEEDED

Our scientists and engineers have proved that we can produce aircraft and other apparatus of astounding merit; our workpeople are second to none in their ability to manufacture high grade products and to handle difficult and complicated machinery. The management of our industries is efficient and constructive, otherwise we should not be able to pay heavy import duties on our

exports and still compete with the local manufacturer, and beat him at the game. We have little to be ashamed of in the industrial and commercial world, but we are told much too often how much better others are at the job—this is simply not true. But it does seem that freer international trade, which was the fixed policy of this country when we were the great creditor nation, is still a long way off. I should much like to see a quickening in the plans for Dominion and Colonial development, particularly in the schemes for the production of those commodities and foodstuffs which we must still purchase from the dollar area. Recent events have proved how necessary it is for us to be able to buy goods from countries which will accept our exports in exchange.

Before I close, I would ask you to allow me to pass on to the management, the staff and all the employees of the company, wherever they may be serving, your thanks for the efficient way their work has been conducted in 1952 and for the satisfactory results shown in the profit and loss account of the company.

The report and accounts were unanimously adopted; the proposed dividend was approved, and the retiring directors, Dr G. L. Kelley, BSc, MA, Mr R. T. Pemberton and Mr Henry F. Tiarks, were re-elected.

THE BURY FELT MANUFACTURING COMPANY

NEW ACQUISITIONS

INCREASING HOME AND OVERSEAS COMPETITION

The forty-eighth annual general meeting of The Bury Felt Manufacturing Company, Limited, was held on June 4th in Manchester, Lt Col A. Buckley, CBE, DSO, JP (the chairman), presiding.

The following is his circulated statement:

The accounts for the year ended December 31, 1952, disclose material alterations to those of the preceding year. These arise principally from the acquisition of two subsidiary companies during 1952.

The consolidated trading profit is £313,913, as against last year's figure (for the parent company only) of £280,274. After adding investment and other income of £6,880 and deducting directors' and auditors' remuneration, appropriations to depreciation and development reserve and the amount written off motor vehicles, there is a profit (subject to taxation) of £290,884, compared with £254,741 for 1951. Income tax and profits tax are provided for at £160,496, being £14,829 more than the previous year's figure.

From the remaining balance of £130,388 your directors have utilised the sum of £28,648 in revaluation of the fixed assets of subsidiary companies. Notwithstanding the higher trading profit, this capitalisation leaves the available profit for the year at £101,740, some £7,000 less than last year. A further transfer of £50,000 increases the general reserve to £250,000.

In order to clarify the balance sheets, £40,000 of the £43,055 depreciation previously shown as a deduction from fixed assets has been transferred to depreciation and development reserve, the remainder being utilised to write down motor vehicles. Depreciation and development reserve now appears at £100,000.

The liquid position remains satisfactory. During the year, approximately £100,000 has been invested in fixed-term government securities and loans to building societies, and a further £70,000 of tax reserve certificates purchased. In addition, cash resources are £448,548 compared with £503,909 in 1951. Current liabilities, including provision for the recommended dividends, are £337,481. Revenue reserves and available balance of profit carried forward total £642,115.

ACQUISITION OF SUBSIDIARIES

All the issued share capital of the two subsidiary companies has been acquired. One is an important producer of felts similar to those manufactured in one of your company's factories, the other a merchanting business. Messrs Peat, Marwick, Mitchell and Company, our consulting accountants, investigated the position and examined the accounts of both these companies prior to acquisition.

The depreciated figure at which the manufacturing company's modern factory, plant and machinery appeared in its balance-sheet prior to the date of completion of purchase, was very much below the valuation made on our behalf by Messrs F. S. Airey, Entwistle and Company. In negotiating the purchase, recognition had to be paid to the current value of fixed assets and it has been decided to increase the book value of land and buildings to the valuation figure. Plant and machinery remains at a figure substantially less than valuation. Your directors believe that this manufacturing subsidiary will be a valuable asset to your company. The factory is strategically situated and the management has been very successful for many years. The services of the directors have been retained under service agreements.

The whole of the assets of the merchanting subsidiary are liquid.

No proportion of the cost of acquiring either company is attributable to goodwill. Of the composite purchase price appearing in the parent company's balance sheet at £230,456, no less than £185,162 is represented by the excess of cash and liquid assets over current liabilities.

DIVIDEND INCREASED

Since 1948, when your company became a public company, the annual ordinary dividend has remained at 3s. per share. During the intervening years, £706,651 has been provided for taxation, £327,781 placed to reserves and £211,525 distributed in dividends. From reserves, £50,000 has been consolidated into preference shares.

Your directors have decided this year to recommend an increase in the annual ordinary dividend to 3s. 3d. per share. They also intend to seek the permission of the Capital Issues Committee to consolidate a further portion of the reserves into fixed capital.

The past year has been somewhat difficult, and although your factories have been fully employed far less overtime has been worked. So far during 1953, similar circumstances have been operative. Competition, which was mentioned in the previous report, has continued to increase both at home and overseas. Fortunately, we are well equipped to meet this competition, but care and economy in management are of greater importance than ever before. Our efforts are strenuously directed to this objective, but there are many essential items of expenditure over which, unfortunately, we have little control under present conditions.

Your directors are appreciative of the efforts of the staff and employees to maintain and enhance the company's position and reputation.

The report and accounts were adopted.

WILMOT-BREEDEN (HOLDINGS)

CONTINUED HIGH LEVEL OF DEMAND

The fourth annual general meeting of Wilmot-Breeden (Holdings) Limited was held on May 29th at Birmingham, Mr D. L. Breeden (chairman and joint managing director) presiding.

The following are extracts from his circulated review:

Changes in trading conditions affecting the motor industry in 1952 have already been reviewed by the chairmen of the car manufacturing companies. Reference, however, should be made to the two main factors. The output of the industry declined; and it was necessary to reduce selling prices to meet increasing competition. It is considered that under these circumstances the results for the year under review are satisfactory, and that your company has been able to adapt itself quickly to the changing conditions.

The year saw the completion of a large postwar expansion programme, in which no less than £1 million has been spent in new plant and buildings.

It is not easy to make a long-term forecast of future prospects, but the demand for our products continues at a high level. Furthermore, there are signs that the decline in activity in the motor industry, which was a feature of the year under review, has been halted. Indeed, there is definite evidence that output is rising. Against this must be set the continual pressure for lower prices at a time when there is no corresponding fall in those basic costs over which we have no control.

FINANCIAL REVIEW

The consolidated profit and loss account shows a net income from all sources for the year of £575,378, after making the deductions shown therein.

After taking off £406,023 for taxation, the amount available for distribution is £169,355.

Dividends of £63,000 have been paid after deducting income tax at 9s. 6d. in the £. These represent, first, a full year's dividend of £21,000 on the 5 per cent cumulative preference shares and of £16,800 on the 20 per cent second cumulative preference shares, and, secondly, £25,200 for an interim dividend of 16⅔ per cent on the ordinary shares. In addition, the directors recommend a final dividend of 25 per cent, less income tax at 9s. in the £, on the ordinary shares, which will absorb £39,600. After making these dividend distributions of £102,600, the balance unappropriated in the consolidated profit and loss account is £498,371.

BONUS ISSUE

The consolidated balance sheet shows an increase of £48,000 in the amount of £1,248,000 for issued capital, this increase being represented by the issue of bonus shares made to the holders of the ordinary shares during the year. It was intended in making this bonus issue of ordinary shares that it would result in the issued capital more representative of the re[illegible] carry of the assets employed in the busin[illegible] further pursuance of this policy the d[illegible] are recommending that another bo[illegible]ce sheet of ordinary shares be made. remain[illegible]

The report was adopted. [illegible]k cost is [illegible]arch 31st

At the subsequent extraordinary meeting resolutions were passed [illegible]ciation of £48,000 by the creation of 192,[illegible]a, 3.5 per shares of 5s. each to be allotted[illegible]s, 17.4 per proportions as the existing 1,152 and other shares of 5s. each held.

TAYLOR WOODROW LIMITED

A SATISFACTORY YEAR'S TRADING

The annual general meeting of Taylor Woodrow Limited was held on May 29th in London, Mr Francis Taylor (chairman and managing director) presiding.

The following is an extract from his circulated review:

The accounts for the year ended December 31, 1952, show an improved trading profit. In 1951 we suffered from the exceptionally inclement weather experienced during the winter months; this, coupled with the effect of devaluation of the £ sterling and a spiral of rising costs, adversely affected many items not heretofore covered by rise and fall clauses in building and civil engineering contracts.

In the year now under review we enjoyed in the main what may be regarded as good contractors' weather. It is important to stress the effect of climatic conditions in our business.

This year the profit on trading before taxation, depreciation, etc, is £490,095, compared with £291,805 in 1951. After depreciation, etc, but before taxation, the comparable figures of net profit are £241,191 against £90,958. The improved results are most gratifying, and present indications encourage your directors to hope that the profit recorded for 1952 will be maintained in 1953. Taxation on the profits has been charged at £177,500.

BUILDING AND CIVIL ENGINEERING

Our Construction Company had a successful year, many important works of a specialist nature were completed to the satisfaction of our employers. The tunnel contract at London Airport is approaching completion and several additional important works on this site have been secured in competition, including the contract for the control tower and the passenger handling building, two important contracts in value exceeding £2 million. This company is also engaged in the construction of power stations, factories, airfields, pipelines, bridges and opencast coal production.

Housing.—Relaxation of many of the restrictions placed on house building for sale has enabled us to enter this market; many of the important sites we held were requisitioned by local authorities, but we are urgently seeking new and suitable land and efforts will be made to play our full part in this important sphere.

Ballast Pits.—Our ballast pits have again operated to capacity and due to careful selection of these sites, and the good quality of the products, should continue in full production until worked out.

After reviewing the company's widespread overseas interests, the statement continues: Our export company experienced a year of satisfactory trading. "Arcon" structures were exported in considerable quantities over fo[illegible]ide areas overseas and are meeting a much belie[illegible]led demand. Naturally competitors are the rei[illegible] into the markets, but every effort large sum[illegible] made to meet competition as and have bee[illegible] especially arises.

appear to[illegible]ill, I hope, have noticed our adver-

I do n[illegible]s—"Building for the Future." This on too glo[illegible] only mean erecting buildings for word of a h[illegible] but that we are endeavouring to a splendid o[illegible]uild our personnel. We have a Kingdom an[illegible]me for young people. We are are in first-cl[illegible] organisation and finances on a is being taken[illegible] "Building for the Future" and in the d[illegible] be Taylor Woodrow's motto which we con[illegible]e to come.

company [illegible] was adopted.

POWER SECURITIES CORPORATION LIMITED

SATISFACTORY RESULTS

The thirtieth annual general meeting of this company will be held on June 24th in London.

The following is an extract from the statement of the chairman and managing director, Sir Andrew M. MacTaggart, circulated with the report and accounts for 1952:

The accounts show satisfactory results. Although the gross profit at £438,333 is £97,003 less, in 1951 it was enlarged by final adjustments in respect of certain completed contracts. Provisions required for depreciation and taxation are £101,356 less while interest on loans is higher by £10,294.

The consolidated net profit is £136,492 as compared with £140,485. The proposed dividend is 7 per cent on the ordinary shares.

Current assets at £6,226,800 show a substantial increase of £2,141,892 due to the larger volume of construction work on hand, chiefly on civil engineering work overseas and transmission line contracts in this country. This increased volume of work in hand is also reflected in the figure of £4,563,653 in respect of current liabilities.

The main source of income of this Corporation is derived from the engineering and construction side of the organisation through Balfour Beatty and Company, Limited. They continued to be fully occupied during the year in handling a large volume of civil and electrical engineering work in this country and overseas. The results of the year under review, together with the amount of work in hand at the moment, compare favourably with anything we have achieved in the past. The two principal electrical engineering contracts on hand in the United Kingdom are those for the British Electricity Authority for construction of the Staythorpe and Carmarthen Bay power stations. Both these contracts continue to show good progress.

THE FUTURE

As regards the future, I am not going to attempt to prophesy what will happen in the Middle East. Our principal interest in that area is in Iraq, in which we have maintained the fullest confidence during the past twenty years, and I see no reason to change our views.

East Africa continues to develop and apart from the Mau Mau troubles in Kenya, the future looks good. We can only hope that those responsible for the ending of the present trouble will act quickly and effectively and re-establish confidence among the various races affected. Malaya appears to be weathering the storm, and with the continued pluck and confidence of those in charge of our interests there we look forward, with a feeling of hope, to better times.

I would add my voice to those of the many other chairmen of public companies who have protested against the heavy burden of taxation. Higher taxation is not the real answer to this country's problems. The answer is a simple one: economy in Government administration and increased output in industry. Both of these answers, in my opinion, can be achieved; the first by a rigid overhaul and the second by incentives in industry which will not be penalised by taxation.

You will welcome the modest increase in the dividend recommended on this occasion. This, in effect, is a return to the rate paid prewar, and, encouraged by the results achieved, and by the nature and volume of our work in hand, the directors feel fully justified in recommending this increase.

SILVRO MANUFACTURING

(Makers of "Bonsoir" Shirts and Pyjamas)

The seventeenth annual general meeting of Silvro Manufacturing Company, Limited, was held on May 29th in London, Mr Manley Cooper (chairman) presiding.

The following are extracts from his circulated statement:

Although a larger turnover was achieved, the margins of profit were on a reduced scale, thus accounting for the small reduction in profits of £4,250 as compared with last year.

The net worth of your business has appreciated from £217,764 to £225,853.

With the expanding demand for your company's products, there has been an increasing strain on its manufacturing capacity. When an opportunity occurred of obtaining at a very favourable price larger premises at Crewkerne, where you already have a small unit, your board seized it, and it is hoped that by mid-summer we shall be in occupation of approximately 22,000 sq ft of space, which will give us the necessary elbow room for any further expansion.

The order book is full and, indeed, we are hard put to fill the demand which your company's new shirt with patented collar has created. Other new products are also showing satisfactory results. Our dollar earnings are steadily growing, as, indeed, is the whole of our export trade.

Our stock position is good.

While conditions are still full of difficulties, prospects for the current year appear favourable.

The report was adopted.

AUTOMATIC TELEPHONE & ELECTRIC COMPANY

The annual general meeting of the Automatic Telephone & Electric Company Limited will be held on June 19th in London.

The following is an extract from the statement circulated by the chairman, Sir Alexander Roger, KCIE:

The profit of the parent company at £850,570 shows a reduction of £321,411 compared with 1951. Although the volume of our sales and production was even higher than 1951 the profit on our trading operations was reduced by rising costs and more intensive competition abroad. On the whole we consider that the trading results of the year are satisfactory.

Dividends at the same rate as last year are proposed. The consolidated profit of the group amounts to £1,137,917 against £1,545,399. Consolidated reserves total £4,776,036.

During the past year production was maintained at a high level. Due to the continued Government restrictions on the Post Office's capital investment programme, supplies of telephone switching equipment to this customer were again severely limited, and consequently the emphasis has continued to be on export business.

After dealing with the progress of the subsidiary companies, the statement continues: We have a good order book; but increasing intense competition from foreign manufacturers in the export field will call for greater effort and reduced costs on the part of industry in this country if it is to maintain its position in world markets.

BRITISH ENKA LIMITED

EFFECT OF SEVERE RECESSION

The twenty-eighth annual general meeting of British Enka Limited was held on May 28th in London, Mr A. D. Carmichael, CBE (the chairman), presiding.

The following is an extract from his circulated statement:

The group working profit of £289,966 compares with £1,259,582 for 1951. After adding £882 profit on fixed assets sold and charging £1,106 interest paid, £268,877 for depreciation of buildings, plant and machinery and £10,378 for directors' fees and emoluments, the operating profit is £10,487; after writing down stocks of raw materials by £103,743 to market value and providing £2,238 for taxation, the loss for the year is £95,494, which compares with a profit of £419,415 for the previous year.

The directors have given very careful consideration to the question of a dividend. In view of the recovery of business which has taken place in 1953, and the fact that in the previous two years the company placed £750,000 from profits to general reserve and the carry forward was increased by approximately £70,000, the directors have decided to take £50,000 from general reserve and to recommend a dividend of 6 per cent for the year 1952.

Capital and revenue reserves, including the carry forward, now amount to £976,598, against the issued capital of £1,875,000.

TRADING CONDITIONS

In my statement twelve months ago, I drew your attention to the severe recession which had spread from the USA and the Continent and was already at that time affecting this country seriously. This recession hit all sections of the United Kingdom rayon trade and became very marked during the summer months of 1952.

In the extremely difficult conditions, involving a low rate of production, the company during the year as a whole made an operating profit, but it was necessary to write down the stock of raw materials by £103,743 at the end of 1952.

Some slight recovery in trade began in September and continued to develop steadily to the end of the financial year. The improvement has made further progress in 1953 and in March, with the exception of the Breda Visada Factory, the company was back on to full production, and this despite the fact that the formerly important crepe trade was still practically dormant. It has always been the policy of this company to spread its deliveries over all the important sections of the various trades using rayon yarn, and we have taken full advantage of new developments in other directions to make up for the present slackness in the crepe trade.

THE FUTURE

With regard to the future, it would be unwise to prophesy, but it is worth emphasising that British rayon yarn is still the least expensive raw material available in the textile industry of this country or anywhere else in the world, and consequently the industries using rayon yarn are able to produce attractive and well-wearing articles which sell at a low price. Rayon has put luxury, lightness, colour and serviceability within the reach of everyone. Given reasonably stable conditions in this country and overseas, we believe the company will be able to maintain full production and a satisfactory measure of prosperity.

The report was adopted.

E. POLLARD & COMPANY

The forty-first annual general meeting of E. Pollard & Company, Limited, was held on May 28th, in London.

Mr H. Edward Pollard, chairman and managing director, who presided, said:

The trading profit was £183,322, as compared with £180,889 for the previous year, and we have increased this by an amount of £9,977 received from a Continental subsidiary company. After providing £97,918 for taxation and transferring £60,000 to reserve, your directors recommend a capital dividend at the rate of 15 per cent, free of income tax, on the ordinary shares.

Taking the year as a whole, I feel that in results at any rate it has not proved unsatisfactory, and that at present we can look to the future with a little more confidence than in the past few years.

The lead we maintain in the design of first-class shopfitting and the service we are able to give by having our own departments for building construction, electrical installations, signwriting, sun blinds and shutters, is well appreciated in the fact that we avoid the embarrassing and annoying delays on contracts that occur when outside contractors have to be employed.

In the Haskins factories, which cover 130,000 sq ft, we have the substantial business of electrical lifts under the title of Hammond and Champness. Our research and development with the fully automatic lift design has brought us to the forefront of the lift industry. We have a substantial contract book for the future.

There has been a steady demand from the Morris Singer Company for steel doorframes, casements and other iron work.

The report was adopted.

LISBON ELECTRIC TRAMWAYS

The annual general meeting of Lisbon Electric Tramways, Limited, will be held on June 24th in London.

The following is an extract from the circulated statement of the chairman, The Rt Hon The Lord Rathcaven:

The number of passengers carried by the company increased during 1952 by 14 million, or 4.5 per cent, compared with 1951, the total number being 328,193,891. Of this figure trams accounted for 278,153,405, an increase of 5,421,840, or 2.0 per cent, and buses 50,040,486, an increase of 8,638,530, or 20.9 per cent. The mileage run by all our vehicles amounted to 25,232,835, an increase of 1,916,837 miles, or 8.2 per cent.

These increases in both the number of passengers carried and the mileage run have been made possible by the net addition during the year of 22 new closed trailers to our tram fleet and 22 new double-deck buses.

Although the increased number of passengers carried has resulted in an increase of revenue, the cost of operation has also gone up, especially in the case of trams. This is due to the additional mileage run and to the increased cost of electric power, track maintenance and repairs.

After providing for all charges, including general and depreciation reserve, the year's operations show a net profit of £69,739, an increase of £6,219 compared with 1951. This profit, together with the balance of £52,555, brought forward from last year, gives a total of £122,294. The preference dividend and the ordinary dividend of 5 per cent net for the year absorb £60,957, leaving to carry forward to 1953 a balance of £61,337.

HALL TELEPHONE ACCESSORIES

INCREASED OUTPUT

The twenty-fifth annual general meeting of Hall Telephone Accessories Limited, was held on May 29th in London, Major The Hon Oscar M. Guest (chairman and managing director) presiding.

The accounts for 1952 now submitted to you, show a net trading profit of £63,261, which compares with £46,237 for the previous year. Your directors recommend a dividend of 10 per cent, less tax, for 1952.

We have been able to increase our finished work, with the result that our output for the year was considerably greater than was the case for the previous year. We have also been engaged in widening the basis of our business by undertaking a considerable amount of instrument work of high-grade character, both for Government departments and private customers. We have received an important order of this nature from one Government department. We have received continuing orders from the Post Office, which are keeping us fully occupied, during 1953.

Our rentals department has again been active and shown expansion, a new activity being the hiring out of prescription stamp-machines to the hospitals in connection with the National Health Scheme.

It is more difficult than usual to forecast the future in view of increasing competition, but at the present we have our fair share of business, which should enable us to maintain a satisfactory production during 1953. Our development department has been very active during the past year.

The report and accounts were adopted.

RUBBER PLANTATIONS INVESTMENT TRUST

SIR ERIC MACFADYEN'S ADDRESS

The forty-fourth annual general meeting of the Rubber Plantations Investment Trust, Limited, will be held on June 24th in London.

The following is an extract from the circulated address of the chairman, Sir Eric Macfadyen:

The accounts give effect to the changes in the capital structure of the Trust approved by the stockholders at the extraordinary general meeting on October 17th last and subsequently sanctioned by the Court with the object of eliminating from the assets the shares held by the Trust in Sumatra Tea Estates, Limited—which company has since been placed in liquidation—and writing down the book cost of certain other Indonesian investments.

Gross revenue is £182,156, compared with £307,431 in the last accounts, which, you will remember, covered fifteen months' operations. Taxation requires £74,033 and the allocation to general reserve £22,078. We recommend a dividend of 8 per cent, which will take £76,057. The amount brought in from the last accounts was £149,313 and the carry forward will be £142,491.

The investments figure in the balance sheet at £1,903,644; deducting the surplus remaining on realisation account, the book cost is £1,822,280. The value at March 31st was £1,333,892, showing depreciation of £488,388; 48.4 per cent of our investments are in rubber, 30.7 per cent in tea, 3.5 per cent in other plantation products, 17.4 per cent in British Government and other securities.

At the moment American industry is using 3 tons of synthetic to 2 tons of rubber. This will not last. Once the US Government divests itself of the ownership of the synthetic plants, and these pass into the hands of commercial operators, the real cost of producing synthetic will for the first time be established.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS, LIMITED

SIR ERIC MILLER'S SPEECH

The forty-fifth annual general meeting of this company was held on May 28th in London.

Sir Eric Miller (chairman of the company), in the course of his speech, said: The labour shortage in Sumatra eased somewhat during the year under review, making it possible to bring further areas of rubber into the tapping round. As a result, the crop rose to 12,357,131 lb, the highest figure recorded since the war.

The sharp fall in the price of rubber and greater activity on the part of the police led for a time to a decline in the highly organised traffic in stolen rubber, but this nefarious trade has not yet been stamped out and there has been a serious recrudescence of illicit tapping on several of our estates in recent months. A lot of valuable young trees have been permanently ruined.

Several of the states continue to suffer from illegal occupation. This difficult problem has political implications, but that is all the more reason why the prolonged study which the Indonesian Government have been giving to a general settlement of agrarian problems in the territory should be translated into firm action.

HIGHER GROUP PROFIT

It is gratifying to see that the group profit for the year before taxation was some 30 per cent higher than that for 1950-51. The fact that a fairly satisfactory margin was maintained despite the sharp fall in world rubber prices is largely attributable to favourable forward contracts which I reported to you at our last meeting, and to the fact that an otherwise very serious increase in production costs was mitigated by the spread of overhead expenses over larger crops

The weight of total taxation remains extremely heavy. Adding export duties and other levies which are not apparent in the published accounts, to the amount we have had to provide for company tax in Indonesia and profits and income tax in the UK, we arrive at a figure of just under £1 million as this company's contribution to national funds, almost the same as the corresponding figure in the previous year. This is no mean achievement.

Subject to any unfavourable developments of retroactive effect such as we have suffered under in the past, the current year, of which almost three-quarters have now elapsed, should show a reasonable margin of profit. Output and sales of palm oil and kernels this year have also been satisfactory.

It is not generally appreciated that employers in Sumatra by general agreement provide, free of charge, the basic foods not only for the workman but for his wife and children and issue textiles to them at well below cost. Thus any and every increase in the cost of subsistence is borne entirely by the estate owner. The workpeople have a 40-hour week, and the holidays with pay now total 27 days per annum. Yet the trade unions are constantly raising their demands for higher and ever higher cash wages and cash bonuses, probably hoping that the Department of Labour is not strong enough to call a halt to a process which is rapidly undermining the competitive power of Indonesian estate enterprise.

The report was adopted.

JOHN HOLT & COMPANY (LIVERPOOL) LIMITED

TURNOVER EXPANSION OFFSET BY TEXTILE LOSSES

The fifty-sixth annual general meeting of John Holt & Company (Liverpool) Limited, was held on May 29th in Liverpool, Mr John A. Holt, the chairman, presiding.

The following is an extract from his circulated statement:

The sharp fall in net profits for the year is an indication of the very difficult trading conditions in which we have been operating in West Africa during the last fifteen months. Gross turnover continues to increase and exceeded £23 million for the year, but heavy losses were incurred on sales of all classes of textiles, and an over-supplied market reduced margins on other types of goods to low levels.

For most of the year the tendency was for world produce prices to continue the fall which began in May, 1951, and it was not until towards the end of the year under review that a steadier tone became evident. Our purchases represented a satisfactory proportion of the total crop marketed.

John Holt Line Limited had a reasonably satisfactory year, although the fleet consisted of three ships only, so to provide the tonnage required by the trade we chartered vessels from time to time.

The trading results for the current year to date have shown some improvement, and we can, I think, look forward to a more favourable picture at the end of August. Profit margins continue to be very low, but I hope to be able to report we have achieved some modest expansion of our business.

The report was adopted.

NEW BROKEN HILL CONSOLIDATED

LOWER METAL PRICES AFFECT RESULTS

The seventeenth annual general meeting of New Broken Hill Consolidated Limited will be held on June 25th in London.

The following are extracts from the circulated statement of the chairman, Mr John R. Govett :

The profit for the year 1952, before taxation, amounted to £818,780, compared with £1,338,884 for 1951. This reduction results from lower prices having been realised for lead, zinc and silver than in the previous year and from an increase in costs generally and particularly of wages. The charge for taxation amounts to £260,760, leaving a net profit of £558,020, a reduction of £61,004 on the result for 1951. The board recommend a total distribution of 1s. 6d. per share for the year.

Ore production from the company's leases in 1952 totalled 239,922 tons, compared with 212,178 tons in 1951—making a total since production first commenced of just over a million tons. The expansion of ore reserves continues satisfactorily with an inclusion of a greater amount of the richer lead lode. The total ore reserves as at December 31, 1952, amounted to 2,400,000 tons, assaying 10.6 per cent lead, 2.6 ounces silver, and 10.9 per cent zinc.

The year 1952 marks an important stage towards the completion of the ten-year programme commenced in 1945 for developing and equipping the mine. Towards the close of the year under review the hoisting of a substantial proportion of the company's ore through the new haulage shaft and its subsequent treatment in the company's own mill were commenced. We remain confident that the mine will be among the lowest cost producers in the world. While it is hoped that the completion of our programme may be achieved without having recourse to further permanent financing, some additional finance of a temporary nature will be required until we see some turn in the trend of metal markets and prices once again become more remunerative.

THE UNIVERSITY COLLEGE OF THE WEST INDIES

Applications are invited for the following appointments in the Department of Extra Mural Studies.
(1) Staff Tutor in Industrial Relations;
(2) Resident Tutor.
Salary for (1) on scale £1,200 to £1,350 per annum, and for (2) on scale £750 x £50 to £900 x £50 to £1,100 per annum. Point of entry in scale according to qualifications and experience. Child allowance £80 per annum per child (maximum £240 per annum). F.S.S.U.
Applications (six copies), giving full particulars of qualifications and experience and the names of three referees, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1 Gordon Square, W.C.1, from whom further particulars may be obtained. Closing date June 30, 1953.

PLANT ENGINEER required for large, light electrical engineering factory in London area. Must be capable of taking charge of steam, bulk electricity, generation and main supplies and of organising all maintenance work with staff of approximately 125. Age: 30-40 years. Full membership of Institution of Mechanical or Electrical Engineers or equivalent qualification. Not less than five years' experience in responsible position. This is a senior post and will carry a four-figure salary, according to qualifications and experience.—Apply to Central Personnel Department, Philips Electrical Industries, Ltd., Century House, Shaftesbury Avenue, London, W.C.2.

UNIVERSITY OF SYDNEY

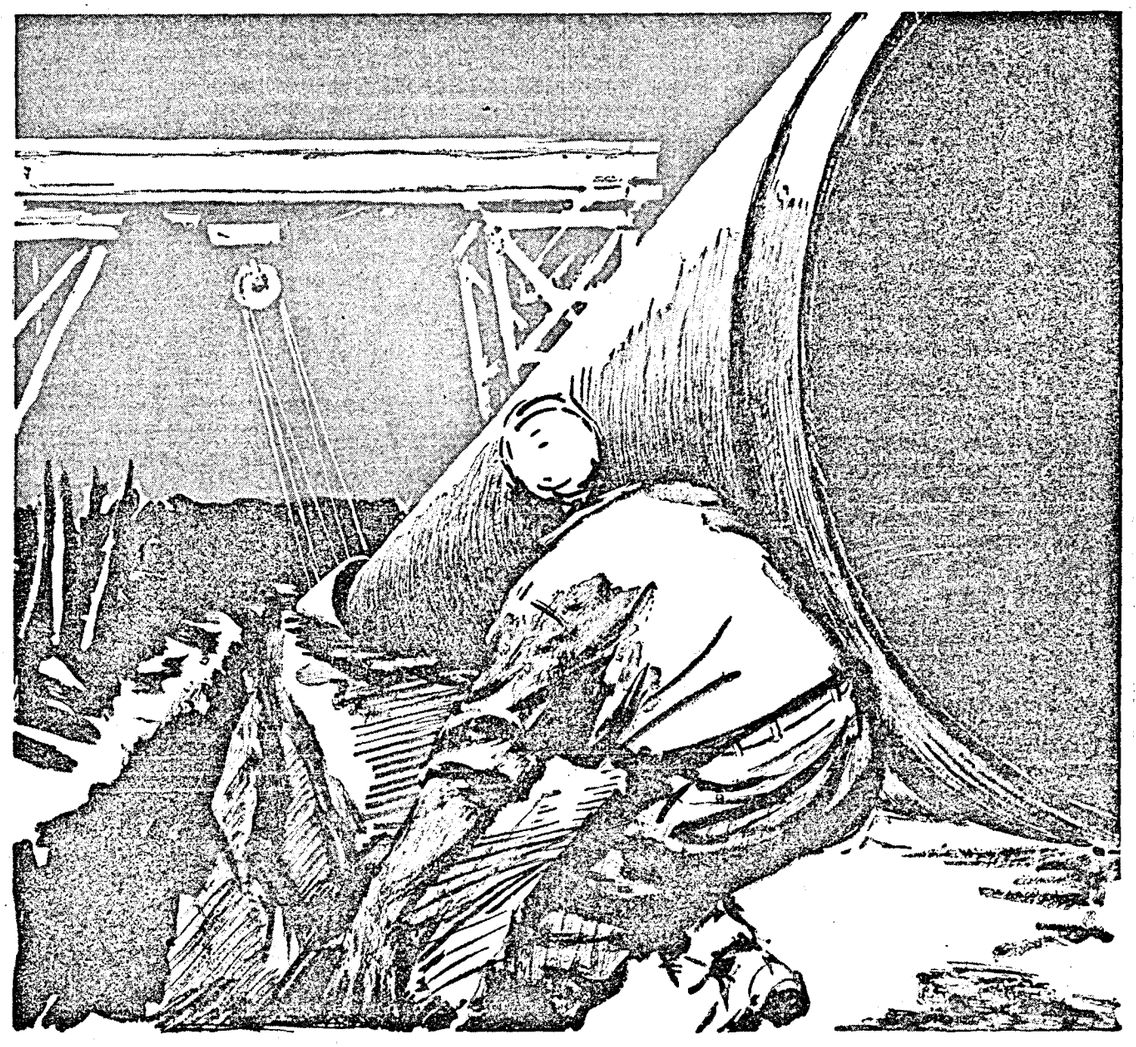
Applications are invited for the position of LECTURER IN MORAL AND POLITICAL PHILOSOPHY. The salary will be within the range of £650-£1,000 (Australian) per annum, plus cost of living adjustment (at May 1, 1953, £247 males and £187 females), with annual increments of £50. The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful candidate. Applications, supported by copies of testimonials and giving the names of three referees should be forwarded to reach the undersigned not later than June 27, 1953. In addition, overseas candidates are requested to forward a copy of the application to the Secretary of the Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1, from whom further information may be obtained.

W. H. MAZE, Registrar.

YOUNG EXECUTIVE (35) requires responsible general management post with good potentiality. Qualified accountant, cost accountant, secretary, economist with extensive knowledge and experience of general industrial problems. Salary £1,500.—Box 256.

ADAPTABLE MAN (34), Chartered Librarian, completing B.Sc. (Economics) June, wide knowledge economic literature, requires post with prospects.—Box 257.

ECONOMIST with indexes, July 31, 1948, to date. Offers.—Box 261.



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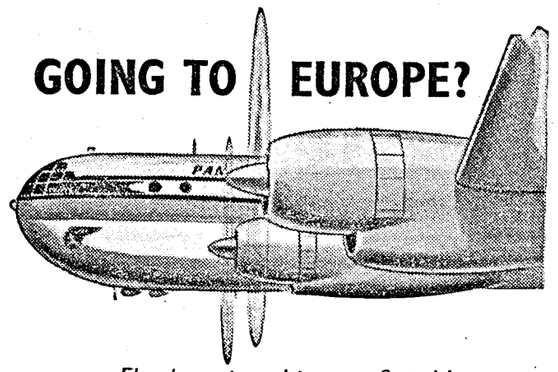
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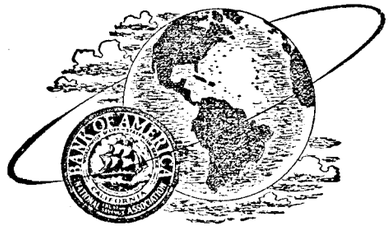
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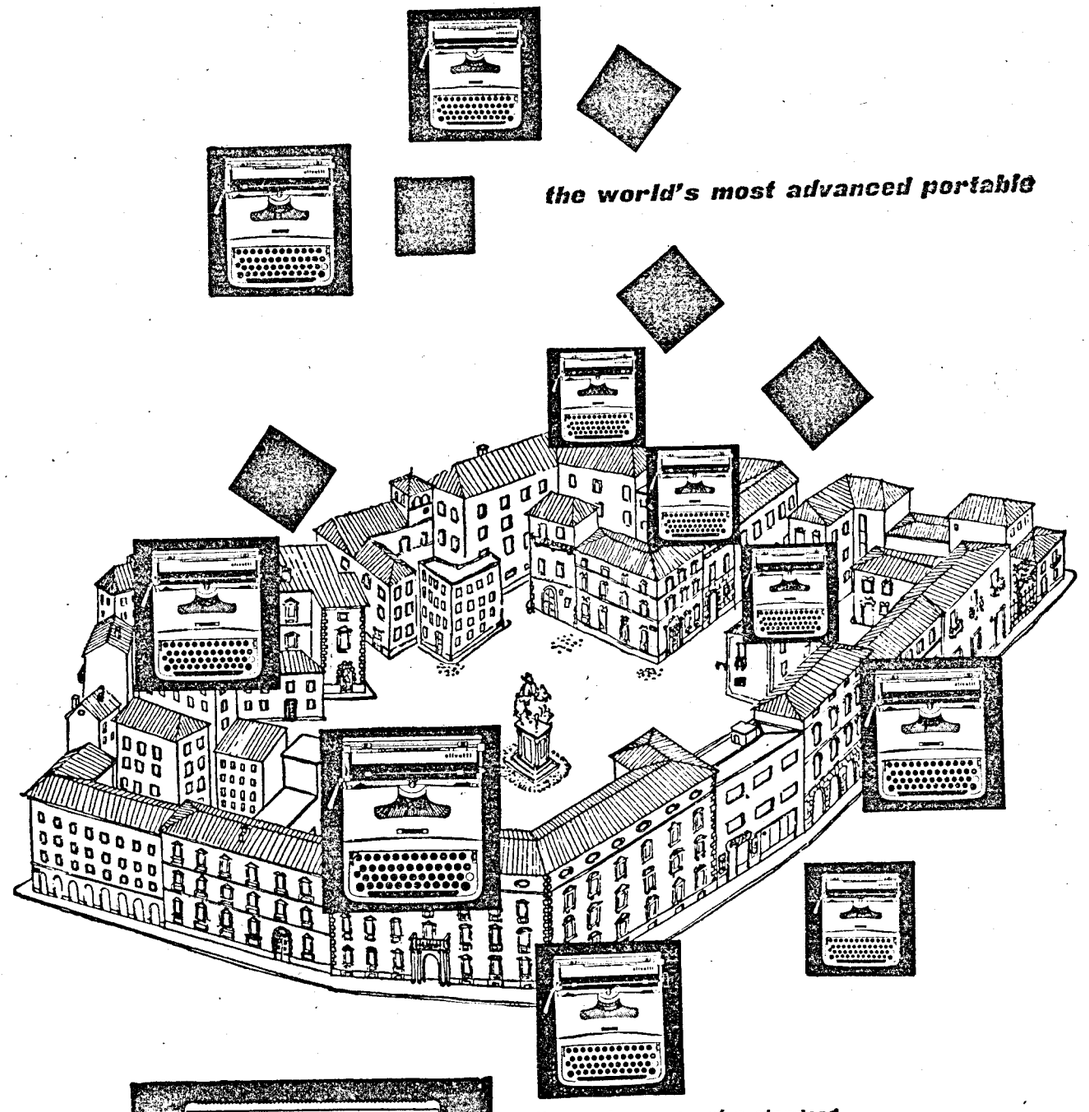
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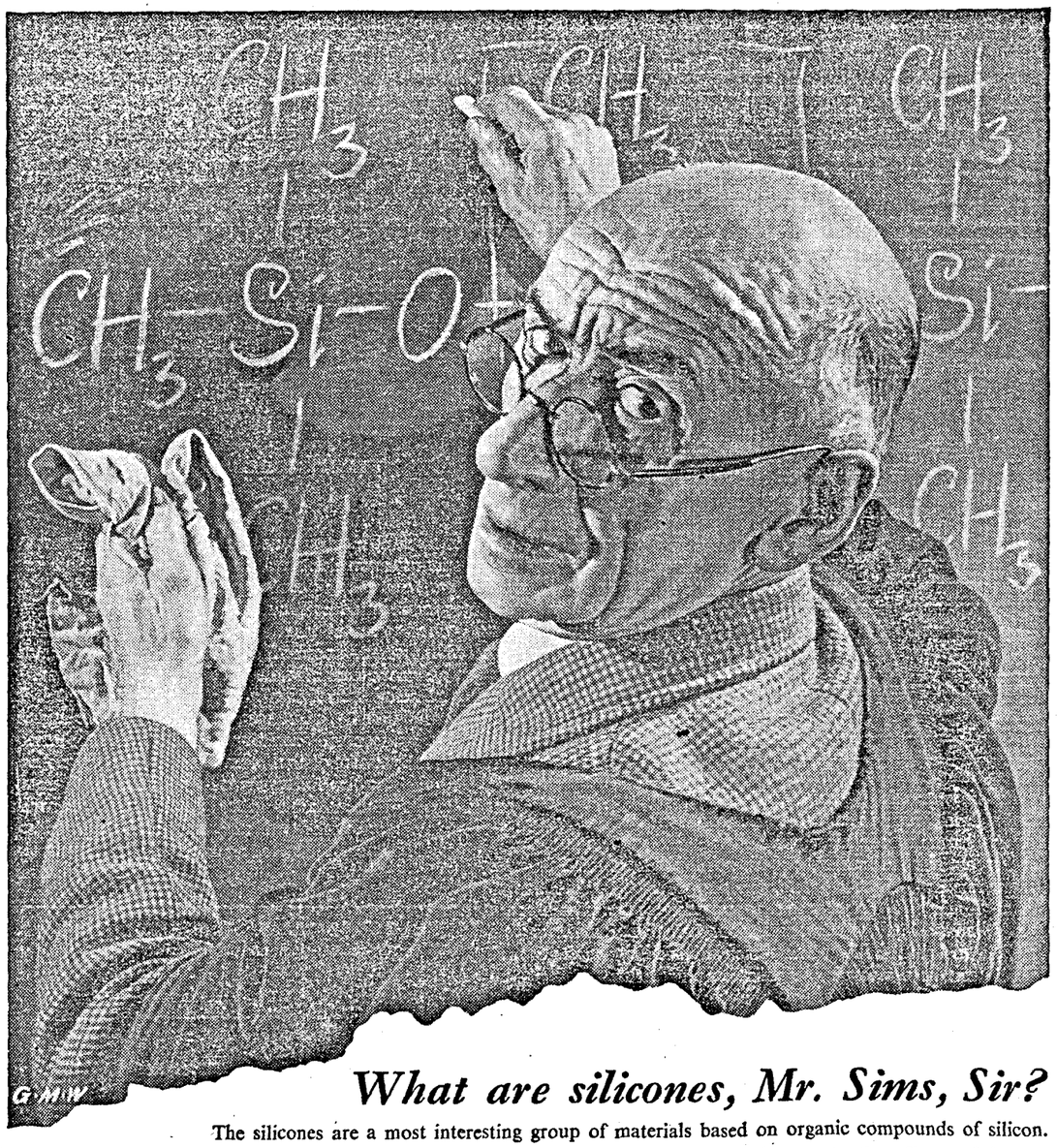
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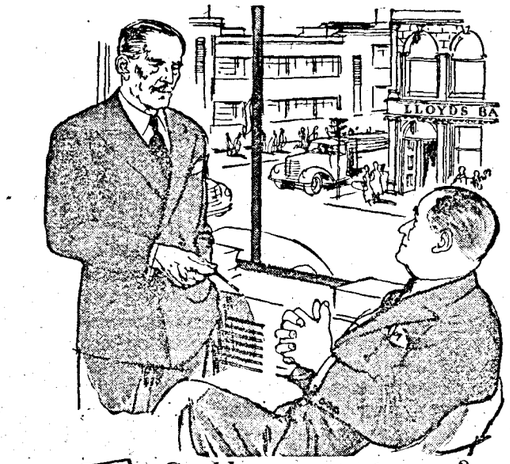


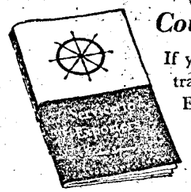
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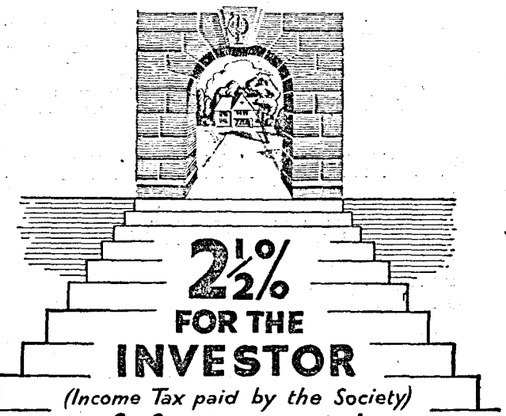
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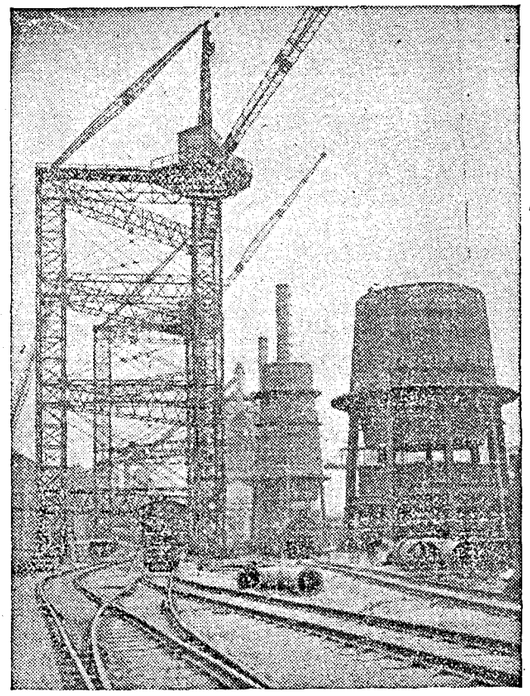
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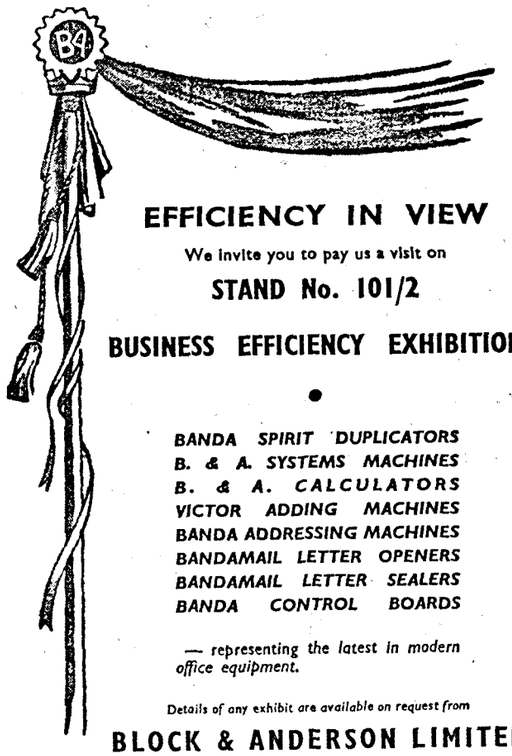
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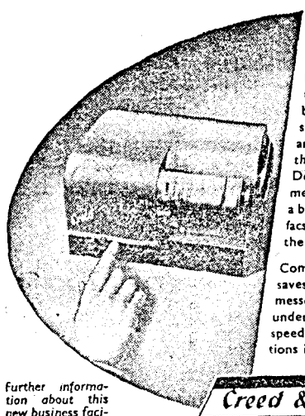
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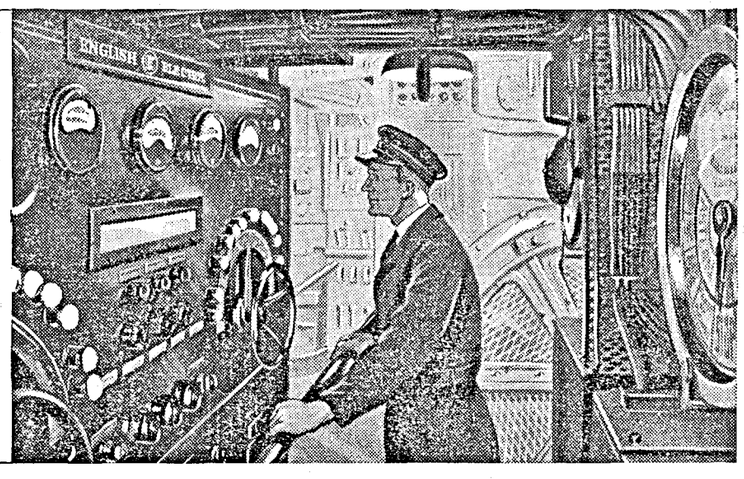
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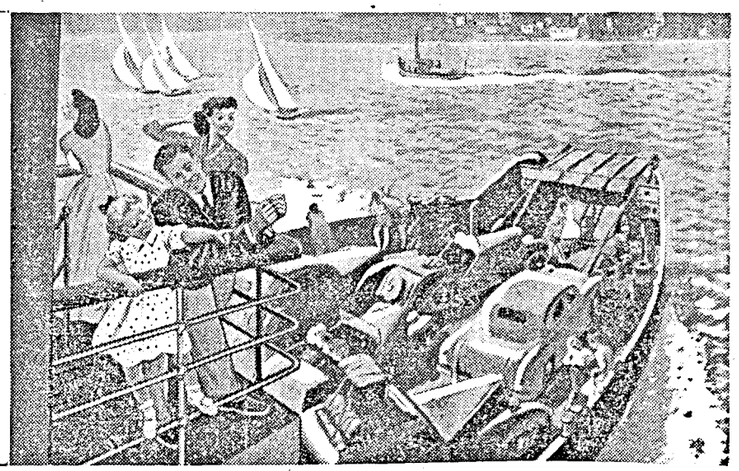
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Armistice?

IS this, then, the way the war ends—with neither a bang nor a whimper, but to an accompaniment of sighs of relief mingling with discords in the West, defiant cries from Seoul, and seductive airs wafted from Moscow? If the firing that has now lasted for nearly three years ceases and the casualty lists come to a full stop, there will be sincere thankfulness in every heart throughout the sixteen countries that have helped to resist the aggressors in Korea. But this thankfulness must not obscure the grave problems that remain to be solved—problems which, indeed, will become more unavoidable and more urgent the instant the armistice is signed.

There are, first, the problems of Korea itself. Even if the complex machinery for disposal of prisoners of war can be operated without new difficulties appearing, other aspects of the armistice arrangements bristle with potential frictions. The presence, for example, of Communist representatives at ports in South Korea will not be accepted very calmly either by the local authorities or by the population. All such difficulties could be ironed out, given goodwill; but the armistice is not being concluded in an atmosphere of goodwill. The United Nations Command and the Indian, Swiss and Swedish truce teams will need to draw on all their reserves of patience, tact and self-control if they are to treat successfully with Communist officials, alternately sullen and sly, and with South Korean politicians who are likely to be, at best, consistently sullen.

The conflicting statements of President Rhee and his assistants make it impossible, as yet, to judge how far they will carry their repudiation of the whole armistice project. Their position is strong, in that the Republic of Korea's forces now outnumber those of all its allies in South Korea; it is weak, in that the ROK divisions—like the whole Korean economy—depend on American supplies, and, despite their personal loyalty to their ageing president, it is very doubtful whether in the last resort they would undertake to "go it alone." But if Mr Rhee continues to sulk in his tent, how can the allies guarantee that South Korean troops will not at some stage violate the armistice? If they cannot give such a guarantee, the Communists will have a new pretext for recalcitrance, and the "neutrals" will hesitate to get involved. But it would be both politically and militarily impossible for the allies to disarm or neutralise the ROK army, which now holds over half of the line; and even to apply economic pressure to South Korea, which the United Nations are solemnly pledged to aid in its task of reconstruction, would be a most invidious business.

Nor is this all. Even if the Seoul government and its army are induced to accept the continued division of their country, on what basis will that division rest? Theoretically, the armistice should produce a return to the situation in 1948-50, when the UN had proclaimed a united Korea as its ultimate objective, but relied on purely peaceful processes to bring it about. But in those days the tension was heightened by the fact that each of the two rival governments claimed

jurisdiction over the whole of Korea, and each was recognised as the government of Korea by certain other nations, which refused recognition to its rival. Is this dangerous relationship to be re-established? It is abundantly clear that any early reunion of Korea can be achieved only by war, and the risks of war will surely be lessened if it is agreed to reduce the gap between theory and reality.

★

This principle may, indeed, prove useful when the time comes to turn to the wider issues that remain to be settled in the Far East. Immediately after a Korean armistice, it can be taken for granted that Peking will redouble its claims to the Chinese seat at Uno; and in doing so, it will not merely be pressing for an obvious objective, but also seeking to open up a rift between the allies. But, although allied disagreement on this issue is real, and the need for agreement urgent, no good is done by exaggerating the scale of the rift or of its significance. In both Britain and America, at present, there is a tendency to assume that the other country's position as regards the Chinese seat is more absolute than is the fact; it is all too often argued that the gap is unbridgeable. In fact, since the recognition by Uno of Peking's credentials in place of those of the Taipeh government would be a procedural act, the matter is largely one of simple mathematics. If and when a majority of the sixty member nations come to feel that Mao has lived down his crime of aggression in Korea, he will receive his seat; and although groups of member nations are free to agree among themselves how and when they will vote on this issue, no one power or group of great powers could prevent the change being made if the due majority were found in favour.

No one loyal to the ideal of collective security can be happy at the prospect of an unrepentant aggressor being ushered to a seat at Uno after defying that very body. Yet it should be pointed out that, far from "shooting its way into the UN," Communist China effectively delayed its appearance there by invading Korea. It has failed to buy its way in at the price of a Korean cease-fire; its application will now be considered on its merits, not under duress. More important, in reality, is the other half of the Chinese problem—the question of Formosa. It is sometimes argued that the Peking Government, once seated at Uno, could demand not merely a free hand, but international support, in dealing with Formosa. But if the UN is to recognise reality by seating Peking and by tolerating Pyongyang, is it unreasonable to ask Peking in turn to accept Formosa as a fact? As things stand, Formosa can no more be reunited with mainland China without war than can North Korea with South Korea. Why should not the side that began the war now make some concession in the cause of peace?

Other demands, too, might well be made on Peking before it is received into the international society which it has injured. But it is doubtful whether the most obvious of these—a demand for some reassurance to China's southern neighbours—is worth making. Peking, like Moscow, disclaims all responsibility for Communist violence in Indo-China and Malaya, and its machinations in those areas cannot be exposed as easily as an attack across the Formosa Strait or the 38th parallel. The security of South-East Asia must continue to rest not on promises but on what resistance can be provided there to Communist pressures. Yet, while it is to be feared that an armistice may now free Peking's hands for new adventures in the south, it is certain that failure to check aggression in Korea would have led many of the southern peoples to accept the coming of Communist rule as inevitable. In effect, the Korean campaign itself has been of more service to South-East Asia than any new negotiation can be.

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Here, indeed, one arrives at the true meaning of the Korean war. In fighting it, the United States and its allies have kept alight the faith in collective security that was so often allowed to die in the days of the League of Nations. In the 1930s, Abyssinia, Austria, Czechoslovakia and China itself were left alone at the mercy of the aggressor; in 1950, South Korea was not. History may record this as a unique turning point. It is true that the Korean war will leave behind it a sorry mess of unsolved problems and unaverted dangers. Let it be remembered, however, that this was true in 1918 and 1945, too. It is, after all, the fate of the peace-loving nations, which thrice in this century have been forced into wars, to fight them not for tangible gain but solely to prevent things from getting much worse.

Yet there is a difference of great meaning. The Korean war, unlike its greater predecessors, is ending without final victory, with the original aggressor cowering under the skirts of his backers but spitting unrepentantly from that refuge. The nations that have given their blood in the struggle are robbed of the emotional satisfaction of triumph; small wonder that their prevailing mood is one of frustration, doubt and anger. But would it, in fact, be better if the atmosphere now reflected the jubilant relaxation, the deceptive finality, of 1918 and 1945?

This time at least, it is painfully clear that although the war may have been fought, it has not yet been won. By relaxing their vigilance, by failing to counter the political offensives which the Communists will now launch, and above all by failing to keep the ranks closed, the allies may yet yield up in peace the victory they denied the enemy in war. Their differences of opinion on the issues that now arise, and especially as regards the international status of the Peking government, are well known and well aired. The present need is to find an accommodation between them. No more urgent task will lie before the statesmen who meet at Bermuda.

Malenkov's Hundred Days

TO speak of Malenkov's hundred days is, of course, inaccurate. For if one thing is clear about the events in Soviet Russia since Stalin's death on March 5th it is that a dictator has been succeeded by a group, by a committee in which Malenkov is only *primus inter pares* with such men as the head of the Security Services, Beria, the political head of the armed forces, Bulganin, and Molotov in charge of foreign affairs. It is convenient to simplify the state of affairs in the Kremlin by pretending that Malenkov has simply taken Stalin's place; but it is this desire to simplify that has caused so much wishful judgment about what has actually happened in Moscow. As the statesmen of the West prepare for the Bermuda conference, now postponed until the end of the month, it is vital that public opinion should distinguish between what is known about events in the Soviet Union and what is reasonable deduction or sheer guesswork.

There is a quite impressive number of known facts that can be briefly recalled. Stalin's death brought about, with remarkable speed, a relaxation in the Kremlin's attitude to the Russian people and to the world outside. The amnesty for hundreds of thousands of prisoners, the denial that there had been a doctors' plot, the persistent warnings that police and officials must respect the rights of the Soviet citizen, the lowering of prices, the novelty of sales in the shops—all these events showed a desire to assure the ordinary man and woman that life was to be easier. There was to be a break—just how sharp and deep we cannot tell—with the austerity and brutality of Stalin's rigid methods. Here, on the home front, was the really significant change. At the same time steps were taken to reduce tension with the outside world. It was as if his colleagues had said to Molotov on March 6th: "Lower the international temperature ten degrees by the end of the month." Gestures, acts of conciliation, assurances of peaceful intent, friendly advances in diplomatic circles, followed in quick succession all around the world. None was negligible but none cost the Kremlin much, not even the intervention to get a truce in Korea. Then came a spell of strikingly restrained controversy. *Pravda's* comments on President Eisenhower's statement of peace aims were firm and critical but courteous; the same tone, somewhat warmer, was used towards Sir Winston Churchill's speech in the House of Commons on the same theme. The Russian people were allowed to follow in detail the great debate and to judge for themselves the intentions of men they had long been told to regard as warmongers; indeed, it seemed at times that they were being taken into the confidence of their rulers.

Then, too, it became apparent that the fires of the Stalin cult were being damped down. His name appeared less and less in the Soviet press, though it remained in its old position in the slogans of the satellite countries. Some of the things that the Generalissimo had said about economics—not by any means all—were quietly corrected, and there was a suggestion that his authority in matters of doctrine might have been not infallible in his last months. Changes in the party structure approved by him in October were reversed overnight in March; men who had risen surprisingly sank back suddenly. Malenkov put his friends and pupils back where he wanted them. Things were said, too, which showed a new trend of thinking at the top. Public statements emphasised the paramount task of industrialising China, the new Communist ally in Asia. They seem to point the way ahead to a renewed industrial effort, designed not only to make the Soviet Union stronger and richer but also to make the best of the new Communist empire stretching from the Elbe to the China Sea. For Soviet Russia the aim must still be to create Communism—all in good time—but there is now added to it the task of consolidating revolution in eastern Europe and creating power in China.

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There is one further fact which merits prominence all on its own as a sign of changing attitudes. Moscow's desire for increased east-west trade is now unmistakable. In Stalin's day the demand that western restrictions on such trade should be lifted seemed designed to cause friction between the United States and its allies rather than to promote genuine business. The deals that were arranged over governments' heads never came up to the expectations roused by propaganda. Now the signs are different. At Geneva, in the Economic Commission for Europe, the Communist representatives have said that they will buy from the West consumer goods as well as capital equipment, provided that the restrictions on the supply of the latter are dropped. Never before have they shown such real interest in the consumer goods offered to them. The picture that now presents itself is of a Soviet government eager to get some help in meeting the enormous demands on its resources made by its own forces, by the critical shortages in the satellite states, by the Russian people's suppressed demands for consumer goods, by the technical needs of Soviet industrialisation and, above all, by China's demands.

This, and nothing more, is certain. There remain, it is true, the things that have been promised or that are due to happen. The budget is three months overdue. The Five-Year plan approved by Stalin in 1952, with its emphasis on the development of heavy industry

people prefer Danish bacon; they know they can rely on a standard product of high quality. How then can English bacon compete? As things are, the Government would have to stand the loss that the British producer would suffer in a free market.

The meat problem has points of similarity. Supplies are very nearly adequate—for mutton and lamb they are back to the prewar level—and they are more than enough in the summer months. Next week's increase of the ration to 2s. 4d. is a seasonal one reflecting home killings; not for the first time, it brings the butchers' supplies to the point where less than the ration is bought, at least by the people entitled to it. As much as possible is put into cold storage during the summer, but not enough can be stored to prevent shortages from recurring during the winter. Private trade, however, would prevent it, by raising prices in the winter; this would not put meat out of reach of the poor, because the freeing of the price would undoubtedly mean a return to something like the prewar price structure, with the better cuts dearer and the inferior cuts cheaper. Moreover, private traders would be far better placed than the Ministry of Food to secure a more even flow of supplies over the year. If Argentina could send another 150,000 tons of beef between November and April the problem would be solved. Individual traders, by insisting on suitable delivery dates, could probably go far to secure this quantity.

There remains the difficulty, however, of the British farmer's guaranteed price; the margin between prices of home and imported meat is considerable. Another question is whether all the prospective supply of pork could be rammed down the throat of the British public. The effort to increase home meat production as rapidly as possible has succeeded so well that by next year some British farms will be overrun with pigs. The amount of pork in the shops is far greater than it was before the war. It is very fat, and would be hard to sell if the ration did not sometimes offer pork or nothing.

The derationing of meat therefore waits on a new policy for agricultural marketing. So far two solutions are offered, one at the expense of the consumer and one at the expense of the government. The National Farmers' Union wants livestock marketing boards which would keep up prices by regulating supplies; the butchers suggest a deficiency payments scheme by which the gap between market prices and the guaranteed prices would be filled by the Exchequer. Of the two, there is little doubt that this would be better than the farmers' marketing scheme, which would perpetuate all the rigidities of the annual price review. Worse still, it would enable the producers to control imports.

The government's problem is to devise an agricultural policy that is both good in itself and consistent with freedom for the consumer. The task should not be underrated. After thirteen years of scarcity it is not easy for producers and distributors to adjust themselves to the prospect of freedom. But the government—and the opposition—should be on notice that these are not difficulties about which public opinion will be patient. The experience of the past year shows that consumers prefer freedom of choice even if it means paying higher prices. Rationing and subsidies have no place once the free demand can be met at prices close to the procurement costs of either home or imported food. The man and woman in the street may not think of it in those terms, but they are certainly not going to put up with their ration books while the government hesitates over difficulties that no longer reflect "real" shortages. That point has not yet been reached, but it is in sight. By next spring food supplies may be sufficient for the ration book to be scrapped. The government's administrative and agricultural arrangements certainly ought to be ready then to take the opportunity if it comes.

Britain and Luxemburg

THE common market in coal and steel has now been in operation in the six countries of Western Europe for several weeks; for this large range of products a customs union is in existence. The Schuman Plan and the Coal-Steel Community that sprang from it is therefore in functioning order. By itself, this is a triumph for the spirit of European unity—one of the few it has had—and a surprise for the "realists." When M. Schuman first propounded his plan, anyone would have given odds against its being embodied in a Treaty. When the Treaty was drawn up, its ratification did not seem certain. And even when the High Authority came into existence on paper, there were still plenty of sceptics who thought that was where it would remain. But it has begun to act; the tariff duties have been removed; and further decisions are impending. The policies that the Coal-Steel Community will actually follow are still obscure—or it would be more strictly accurate to say that the determination and effectiveness with which it will pursue its declared policies are still unknown. It is still too soon to say exactly what difference it will make to the heavy industry of Western Europe. But that it will make some difference is no longer in doubt.

The powers conferred upon the Community by its founding charter fall principally under three heads: the freeing of trade in coal and steel within the six countries; the stimulation of production in the most economic locations; and the guidance of new investment in the interests of both the foregoing objectives. On these and related topics the Treaty lays down a set of rules for the behaviour of the six national industries; the High Authority is less an operative body than a policeman supervising the performance of the obligations accepted by the members. What the Community has done so far is to open its common market by abolishing all tariffs and quota restrictions on the coal, iron ore, scrap and steel circulating within the six nations. A large number of impediments to free trade and competition nevertheless still exist, and the High Authority will do well if it succeeds in removing them during the five years of so-called "transition" envisaged by the Treaty.

One obstacle is the thicket of subsidies and monopolistic selling or purchasing agencies that disguise the true picture of costs and obstruct the natural pattern of trade in all six countries. If past behaviour is any guide, the High Authority's policy will not be to act hastily and out of dogmatic attachment to pure principle. Instead it will examine distortions one by one. First it will consult at length with its two sister bodies, the Council of Ministers and the Committee of producers, consumers and labour; and then, if necessary, it will hold an inquiry by independent experts, whose opinions are subsequently published. In this way it can justify publicly the case for or against each and every departure from competition.

Price policy in the Community is not yet firmly set, and it cannot be said with certainty whether the final outcome will be a level of prices that shows more stability than hitherto. The intention is that price determination shall rest largely with the producers themselves, and that the High Authority shall intervene only in periods of acute shortage or surplus, or if producers seem to be forming private agreements to maintain unduly high prices. Where investment policy is concerned, the Authority has hardly begun to formulate a programme or to augment its own resources by seeking to attract foreign capital. There are signs, however, that the essential point has been grasped: there can be no expanding production without an expanding market, and the market will not expand unless costs of production, and prices, are kept low. But to lower costs and prices, as the Authority in the long run aims to do, may not be enough, and it is now belatedly recognised that the consuming industries should have been given a direct voice in the Community rather than loosely attached in their present consultative capacity. In practice the Authority now strives to remedy the defect by consulting with consumers, formally and informally, on every conceivable occasion.

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Ever since the Authority began its operations Britain has had a delegation at Luxemburg watching all developments. The time is approaching when Britain's relationship to the Community will need sharper definition. It is true that, even apart from the general British love of empirical methods (which seems to rise to the dignity of a sacred principle where experiments in European integration are concerned), there are some specific and practical reasons that can be urged for leaving things undefined for the present. It will be easier later on than it is now to see what sort of policy the High Authority is going to adopt, and how effective it will be. It will be easier to tell whether the world market in coal and particularly in steel in the next few years is going to be a buyers' market, as now seems probable. But the matter cannot be decided simply on British wishes and cautionary instincts. M. Monnet would like to see a formal agreement drawn up, which would specify in some detail not only Britain's rights in relation to the Community, but also Britain's duties. Firm as is the condemnation of cartel practices within the six-country common market, there seems to be no such objection to the whole Community acting as a single cartel in its external relationships. In certain eventualities, that might be a prospect that the British coal and steel industries might well be willing to make concessions to avoid. At any time it is worth something to them to be admitted far enough into the charmed circle at Luxemburg to know what is going on there. And if they wait until the eventualities occur they might find the price steeper than it is at present.

There is no great reason for the British steel industry to be afraid of the Community. It is in good fettle technologically and its present costs are fully competitive. There is little direct and continuing commercial contact between the British and European steel industries. Semi-manufactured products are sometimes imported from Belgium and scrap from Germany, and there is a small export trade, which the industry would be sorry to lose, in heavy products such as plates and rails to the ports of Holland and North Germany. But none of these is vital to the British industry's prosperity—nor, of course, does it follow that the High Authority would wish to interfere with them. Of much greater importance are the third-party markets in which British and European producers appear as competitors, and it is here that the major questions arise. Would the High Authority, for example, wish the British industry to surrender any of the preferences it enjoys in British countries overseas—and if so, against what compensation? Or again, if in some future period the world demand for steel should slump well below the exporting capacity of European producers, are British interests likely to be best served by co-operation with the Community or by competition? Price policy is another matter on which British and Continental policy has differed, the British industry apparently having a much greater preference for stability of prices. Would there be any suggestion that the British Steel Board and the High Authority should have a voice in each other's investment programmes? None of these matters could perhaps be resolved with ease; but none of them reveals an inevitable clash of interest between the British industry and the High Authority. There is no reason to suppose that a bargain could not be struck.

Coal is a different, and a more difficult, matter. The Community, unless the principles it seeks to apply outside the six countries are wholly different from those it is to enforce inside, has certain things to ask of the National Coal Board which the Board would find it very

difficult to concede. Possibly the most difficult would be the "double pricing"—that is, the charging of a much higher price for exported coal than is charged within the country—in which the NCB, despite all condemnations in principle, continues to indulge. The High Authority permits its members to charge more for exports to markets outside the Community than within it. But it rejects all "double pricing" within the Community and if Britain were to become a sort of "semi-member" there might well be pressure on it to adopt this part of the rules. British coal is already among the cheapest offered in Europe, and if the NCB reduced its export prices to the domestic level, not only would it lose revenue that it cannot afford to do without, but there would be a strong Continental demand for British coal which could not be met without reducing supplies to the home consumer, who is already limited and rationed. A uniform price could, of course, be secured by raising the internal price to the export level, but though economists might argue in favour of such a course, an all-round increase in the costs of all coal-using industries in Britain is not a policy that is likely to appeal to the political controllers of British coal. It is true that the long-term objectives of British coal policy are very similar to those of the Community: the concentration of production at the most efficient mines; the reduction of costs; and the charging of prices sufficient, but no more than sufficient, to cover average costs of production. But it has become apparent that this is a very long-term programme, and if the pressures of British domestic politics and economics do not suffice to speed it up, it is unlikely that anything further would be promised to the High Authority. Some of the Community's own members have been given a five-year period of grace to prepare themselves for free competitive conditions. They would hardly take kindly to a longer period for the British coal mines; but in the timetable of British coal policy five years begins to look like a very short time indeed.

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An agreement on coal would therefore be more difficult than on steel. Even as a matter of industrial tactics alone, however, this is no reason for refusing to enter the negotiating room. On coal as on steel, there is surely every advantage in finding out what is in M. Monnet's mind and in drawing up a balance sheet of the advantages and dangers of substituting a set of defined mutual obligations for the present very loose relationship. Moreover, it cannot be treated as a matter of industrial tactics alone; there are two considerations of wider import. First, the British public, which owns the coal industry and is still to control the steel industry, has a right to know exactly what are the pros and cons of a closer relationship to the Community. It might be that some of the British industries' reasons for hesitation derive more from their own narrow concerns than from the public interest of the British nation as a whole. Secondly, the international politics of the matter cannot be forgotten. Over and over again, in explaining the reasons why Britain was unwilling to become a full member of European federal institutions, British representatives have pledged the closest practical collaboration with them. It will not, in Continental eyes, be a redemption of these pledges simply to station a delegation at Luxemburg, if it is not empowered to do more than to observe, to discuss and to report. The coal-steel community is the first achievement of a movement behind which European public opinion has placed considerable emotional force. Britain's attitude is already suspect, and an attitude of distant politeness towards the Community, though it might reflect no more than industrial considerations, would have far wider political repercussions. This does not mean, of course, that the British steel and coal industries need to be asked to make damaging concessions for political reasons; M. Monnet is accustomed to hard bargaining, and there should be no definite commitments on the one side without equivalent commitments on the other. But it would be a mistake to refuse to enter upon any negotiations at all or to reject in principle the objective of a precise agreement before any attempt has been made to discover what might be in it.

Plunge into War?

The dispute between Russia and Turkey, though nothing very decisive has occurred since last Saturday, bears a less favourable aspect than at that period. The Russian fleet is said, indeed, to have sailed from Sebastopol, and the English and French fleets have gone to the Dardanelles. . . . At such unfortunate prospects we can only express our deep regret. We have witnessed for the last five years, with equal surprise and admiration, the steady and inflexible determination of the bulk of the people of Europe to have peace preserved at almost any price, which has made them resist all the allurements of demagogues, and prefer certain quiet and prosperity to the doubtful and seductive charms of liberty. They have rallied round authority, because authority preserved peace. The case will be entirely altered if authority make the preservation of peace impossible, and be the means of bringing war on Europe. If the people cannot have peace with submission to the ruling powers—if they must be exposed to all the evils and horrors of war—they will fight for liberty as a means of guaranteeing peace in future, not for the preservation of despotism, on which no reliance can be placed, or the maintenance of old authority. The present relation between the industrious, the trading, the peace-loving multitude, and the thrones of Europe, which is the sole strength of the latter, will be entirely reversed by the ruling powers involving Europe in war; and neither generals nor statesmen, neither emperors nor kings, can answer for the result. Never before was the desire for wealth, and for an abundance of superior food, better clothing, and greater comforts and luxuries, equal to that desire at present, and never before was the conviction so earnest and so general that to gratify this desire the preservation of peace is indispensable. For the Sovereigns of Europe to plunge into war is nothing less than to run counter to the stream of society, which we can only dread may overwhelm them.

The Economist
June 11, 1853

Notes of the Week

Commonwealth Accord

THE Prime Ministers of the Commonwealth countries completed their conference in London during the seven days following the Coronation. The discussions seem to have run very much on the expected lines. Economic affairs played relatively little part, and the detailed content of the diplomatic discussions has been kept unusually secret. It has to be remembered that Commonwealth conferences in plenary session are designed to discuss points of general interest rather than issues between two or three members. On the steps to be taken to ease world tension it is fully possible for Sir Winston Churchill, Mr Nehru and Dr Malan to find almost everything in common. Their sources of intelligence and information do, after all, overlap to a considerable extent. Certainly the official communique issued on Tuesday could hardly contain more expressions of accord and unanimity; if the content of information was correspondingly slight, that should not be taken as detracting from the agreement.

The generalities have considerable significance. It is not without importance that the Asian Prime Ministers agreed to the declaration that, while seeking peace, "the democracies must maintain their strength and exercise unceasing vigilance to preserve their rights and liberties." It is more significant still, particularly after Mr Nehru's meeting with General Neguib, that they put their names to a statement that "the Prime Ministers recognised the international importance of the Suez Canal and of the effective maintenance of the military installations in the Canal Zone." The Commonwealth countries alike of the Western hemisphere, of Africa, of Asia and of Oceania have thus forthrightly backed Britain's determination not to surrender to Egypt's present demands. Their unanimity on this point contrasts with the emphasis that it is those members "associated with or interested in the North Atlantic Treaty Organisation" who want to see the European Defence Community functioning soon. The discussions on economic policy probably could not have been much more than a review of the reasons why the "plan" of the last conference could not now be carried out in the form then envisaged. The sense of the meeting seems to have amounted to an agreement that the Commonwealth must go on as it has been going on, building up its gold reserves and its mutual trade as far as possible, until the United States adopts a good creditor policy. Convertibility will not become a serious possibility in the meantime.

The conference met at a good moment for agreement on all these matters, with the Coronation atmosphere still strong, the gold and dollar reserves rising, the agreement on prisoners achieved in Korea, and the Bermuda meeting ahead. Whatever doubts the United States may raise, there can be little question that the Commonwealth premiers support Sir Winston's idea of big power talks in its original form. On broad issues the Commonwealth is solid (though not the Commonwealth alone); the details are matters for day-to-day negotiation.

Amity and Television

PARLIAMENT reassembled on Tuesday in a good temper. The agreement on the Korean prisoners of war had been completed the same morning, which would have ensured amity even if nothing of the Coronation spirit had survived. Labour members tossed bouquets at Sir Winston Churchill in recognition of his influence on the negotiations, and for good measure he returned one to Mr Attlee. At first sight, the Government should be hopeful of sustaining this basically amicable atmosphere until Parliament adjourns for the long recess in seven weeks' time. The Opposition will presumably follow the custom of not embarrassing a Prime Minister while he is actually engaged on negotiations abroad. In any event, the main business before the House of Commons will be the Finance Bill and, whatever differences there may be over general economic policy, the specific Budget proposals offer little scope for deeply felt divisions. If only minor issues were otherwise in prospect, there would be every chance of a continued respite from serious party warfare during the summer. The majority of MPs would probably like this to be so, and it is the height of irony that the issue which at present seems most likely to break the harmony stems directly from the Coronation itself.

The BBC's dignified televising of the Abbey ceremony, contrasting with the questionable taste of the American companies handling the telefilms, shows every sign of reviving political controversy over the Government's decision to allow commercial television to be started in this country. The White Paper embracing this proposal was approved by the House of Commons just a year ago. But even then one Conservative member admitted that he voted for it only from fear of bringing down the Government and it was generally believed at the time that on a free vote the White Paper would have been rejected. This is not to say that the Government was under any obligation to leave the matter to a free vote. But there was certainly a case for doing so, particularly as the Government decided in favour of commercial TV after a small but active group of backbench Conservatives had campaigned vigorously for it. Those who were doubtful about the idea a year ago must have been impressed by the announcement last week that Lady Violet Bonham-Carter, Lord Halifax, Lord Waverley, Lord Brand and Mr Tom O'Brien are sponsoring a council to oppose the introduction of commercial

television. The list of sponsors might almost have been drawn up with a special eye to their influence on Sir Winston Churchill.

No irrevocable step has yet been taken. The Government will shortly publish the report of the advisory committee on the technical problems of commercial television and will at the same time announce its own policy in greater detail. If it decides to go ahead, it will certainly be landed in sharp and uncertain controversy in both Houses. The nature of the opposition to commercial television prevents this from being a strictly party battle, however, and if some tempers at Westminster are strained relations between the two front benches may be none the worse for it.

M. Bidault Tries in Vain

ONE vote prevented France from having a government after three weeks of interregnum. Following on M. Reynaud in the role of Jeremiah and M. Mendès-France with his brilliant programme of Bevanism, M. Bidault tried to secure from the Assembly the necessary absolute majority. His proposals were a series of compromises tempered with hope: M. Bidault spoke of arriving at some form of truce in Indo-China without French withdrawal, and urged conciliation in North Africa without saying specifically what France was prepared to concede. Although M. Bidault admitted that his government would make the ratification of the EDC treaty a matter of confidence, he reassured the deputies that it would not come up for debate until the additional protocols had been signed, until negotiations with Britain were concluded, and until a settlement of the Saar problem was in sight. Only with regard to decree laws needed to meet the French budgetary crisis did M. Bidault venture beyond generalities. His speech was calculated to evoke support from a coalition very similar to that which existed during M. Mayer's tenure of office. M. Bidault can have had no illusions about the longevity of his government, but the trip to Bermuda was a prize worth trying for.

His defeat, by an absurdly narrow margin, came as a surprise and was probably due to the pique of several Radical deputies who wished to avenge M. Bidault's opposition to M. Mendès-France a few days before. Whatever its motive, the Assembly's rejection of M. Bidault creates a grave situation. M. Pleven is the obvious candidate for one more attempt, but it is difficult to see how he could rally a more substantial majority than that hoped for by his predecessors. If M. Pleven fails, and if M. Pinay remains in the justifiable attitude of a republican Coriolanus and refuses his services until the repentant Assembly meets his terms, to whom could President Auriol then turn?

General Ridgway Reports

GENERAL RIDGWAY'S report on the state of Europe's defences under Nato is typical of the retiring Supreme Commander: honest, dogged and narrow-eyed. Indeed, it reflects so little the economic and political difficulties into which rearmament has run during his short term at Shape that the document can hardly have been approved by the Standing Group in Washington or by the Atlantic Council in Paris. That General Ridgway should have been left to plead alone for more and better forces, adequate ammunition and supplies, and a steady understanding of the Russians' ability to use against Europe surprise and overwhelming superiority reflects no credit on the Nato governments. Where is the "increasingly firm top-level direction" from Lord Ismay's Council to which the report pays homage? It is a pity that General Ridgway should be joining the American Chiefs of Staff with a feeling that Nato did not back him up.

On the other hand there is another kind of realism that is entirely lacking in General Ridgway's argument. He will not face the fact that rearmament is near its peak and will soon level off. He has nothing to say about how the Atlantic powers are to maintain readiness in a state of peaceful or tense co-existence; yet that is Nato's military problem from now on. The crying need for a new system of training and mobilising reserves is treated so cursorily that yawning gaps in readiness behind the front line remain concealed. The report would have done good, though it would have caused explosions in Washington and London, if it had said flatly that the American Army has not begun to produce adequate reserve divisions, and that the British Territorial system—excellent in principle—could not produce reserves fast enough to reinforce the regular divisions in Germany. General Ridgway, like most of his service colleagues in Shape, has not begun to think how democracies can keep effective forces in being for a long time. He is still obsessed—not unnaturally—with the problem of holding off at any moment the 30 Russian and 60 satellite divisions in Europe.

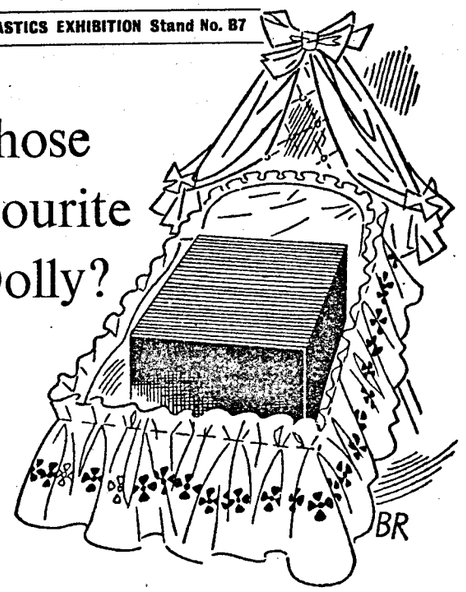
The report deals some good buffets at complacency. "Air power is still today the weakest link in our defence"; there is a "grave shortage of operational reserves"; stocks have not been built up as promised; Northern Europe has no troops worth speaking of. General Gruenther will find it hard to get even a quarter of the divisions that General Ridgway wanted; but he will probably plead for them with more subtlety and patience.

Pointers from Panmunjom

IN the House of Commons on Tuesday the Prime Minister paid a spontaneous tribute to the United Nations negotiators at Panmunjom, and stressed the difficulties with which they had had to contend. He might have added that the recent course of the negotiations has suggested the advantages of using two specific techniques in dealing with Communist representatives. The first is silence. Since May 25th, the Panmunjom talks have been held in true secrecy; neither party has published, each from its own corner, the former blow-by-blow account of each exchange. Is it mere coincidence that the prisoner-of-war problem, which had defied solution for so many months, was settled so rapidly once this technique was adopted? Admittedly, there are limits to the usefulness of secrecy. If the Communists had not got to the point of needing a truce, or if they had seen a chance of dividing the allied ranks by judicious

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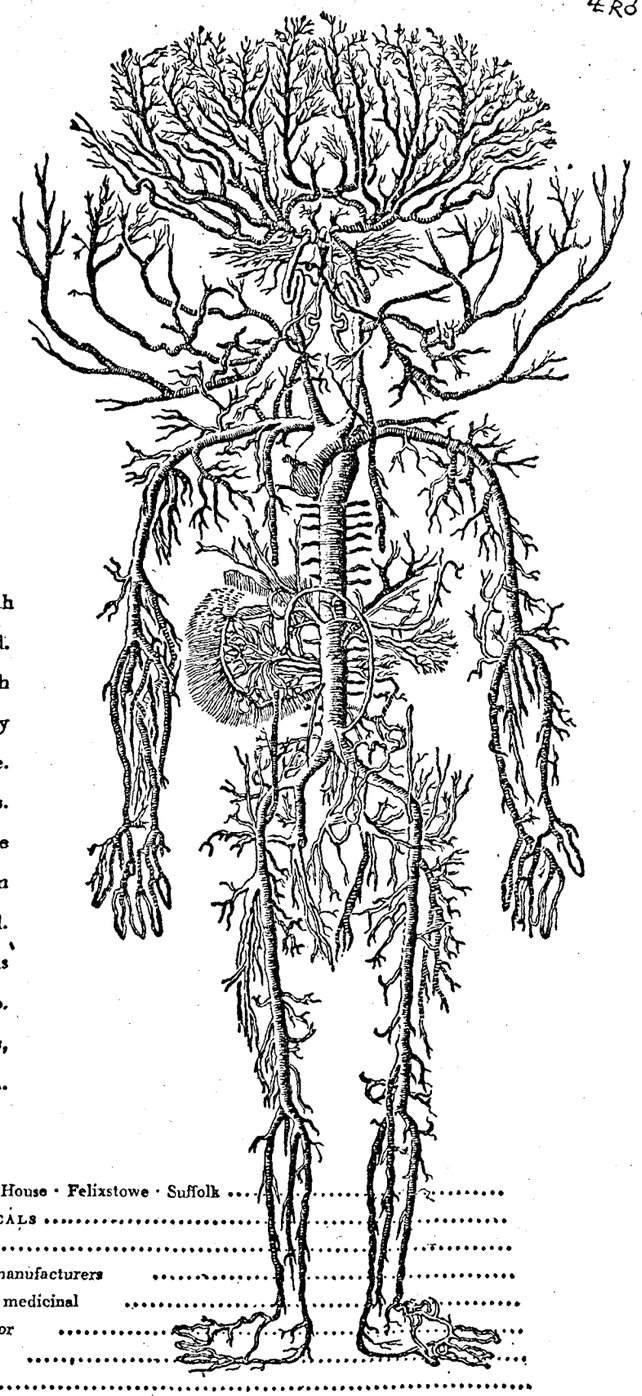


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"leaks," they might well have broken the silence. Clearly, neither open nor secret negotiation will yield results when one party is merely playing out time, but when both parties genuinely want a settlement secrecy has great advantages. The press has a duty to recognise this fact.

The second lesson from Panmunjom is the value of a degree of toughness. General Harrison, the chief UN delegate, has more than once been criticised in this country for an apparently unyielding attitude on certain points; but twice in recent weeks events have seemed to justify him. Essential Communist concessions, without which no truce based on humane principles could have been achieved, have followed his stubborn stands. It is important here to distinguish between talking tough and talking big. In dealing with totalitarian governments, experience has shown that it is fatal to talk big, to demand or threaten what is clearly beyond one's power; for the antagonist, free from the impatient hopes and criticisms that beset democratic negotiators, is happy to sit back and await the inevitable climb down. On the other hand, experience also shows the danger of underplaying one's hand. The Communists haggle in the manner of an Asiatic bazaar, and if they find their opponent stating at the outset only minimum terms, they either conclude that he is weak or suspect a trap. There is, therefore, something to be said for making quite clear in advance of negotiation what interests are considered vital; the Russians themselves do so.

Federation in Committee

It was hardly to be expected that the Government would accept the Opposition's amendments to the Rhodesia and Nyasaland Federation Bill, which was considered in committee this week. For the most part these sought either to delay the coming into force of federation or to change the draft constitution that had already been agreed between the British Government and the Governments of the three territories concerned. In both cases, acceptance would be interpreted as hesitation and drawing back from the federal scheme; it would thus encourage African extremists to persist in their campaign of intimidation and European extremists in their propaganda that the yoke of the United Kingdom Government should be shaken off as soon as possible.

It was, however, the manner rather than the fact of the Government's rejection of the amendments that was in doubt. By turning them down out of hand, Mr Lyttelton could himself have done considerable harm to the cause of federation. On the whole, he showed himself conciliatory and patient. But if he said nothing to intensify the Africans' fears he also said nothing to help dispel them. It is, for instance, a pity that the Government did not accept the amendment that would in effect have made the two Secretaries of State—for the Colonies and for Commonwealth Relations—jointly responsible for the activities of the federal government. There are difficulties in the way, because this arrangement would imply that the status of the federal government was less than that of the Southern Rhodesian. But, as Mr Lyttelton said, the constitution itself is illogical; and the Africans would have more faith in the efficacy of the Colonial Secretary if he were clearly and constitutionally responsible. The present intention is that he should be called into consultation and either agree with his colleague or take the matter to the Cabinet. The amendment would have made little practical difference, but it would have made the safeguard for the Africans more visible to them.

In the meantime, the most effective gesture of conciliation towards the Africans has come from Salisbury. The inaugural board of the proposed Rhodesia university has decided that the university should be completely inter-racial on the academic side and that admission should be dependent solely on educational attainments and character, regardless of race or colour. This decision does not meet all the objections to the Salisbury project raised in the Carr-Saunders report (discussed in *The Economist* of May 30). One of these objections involved the site, which the inaugural board is unwilling to abandon. But its declaration of racial policy is a big step forward—provided that it can now be backed up by the necessary funds.

Proscribing a Party

The Kenya Government has now proscribed the Kenya African Union, taken over its property and made membership of it a serious offence. It has always been clear that the organisation, some of whose officials were implicated in Mau Mau, must itself be suspect, but for a considerable time the Government rightly tried to maintain a distinction between the seditious activities of individual members of the union and the organisation's own legitimate purposes. The detention of Mr Odede, successor to Jomo Kenyatta as its head, on the ground that he was involved in Mau Mau, obviously made it increasingly hard to give the union the benefit of the doubt, though Mr Odede has not yet been brought to trial. No doubt more evidence has accumulated, and the Government—itself under great and increasing pressure from the settlers—has felt compelled to take drastic action. But it is action with the wholly regrettable effect, which will depress the spirits of everyone but the extremist settlers, of leaving the Africans of Kenya with no political organisation through which to voice, or indeed define, their grievances and legitimate aspirations. This is still true, even if it be admitted that the union was almost wholly an expression of Kikuyu politics.

It should surprise nobody that African political organisation fails to follow the models provided by British parliamentary parties. Even West African nationalist parties made use on occasion of local methods, in which witchcraft and secret societies have a big place, in their struggle for power. In Kenya, the impulse towards the conspiratorial in political organisation is inevitably greater, because the opportunity for legitimate and effective African self-expression through nominated (and generally distrusted) African representatives on the Legislative Council is less; moreover, the racial situation is more frustrating. What was begun in the Kikuyu independent schools was naturally consummated in the Kenya African Union.

The settlers will see in the proscription of the union a further reason for pressing for increased power for themselves, and for the indefinite postponement of securing

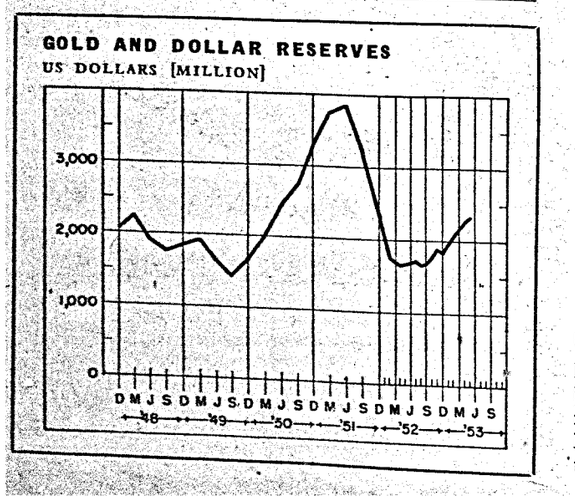
African representation by election, even after the emergency is over. But the problem of making African aspirations articulate and legitimate will remain. The Mau Mau insurrection was possible only because of culpable ignorance by settlers and officials alike about developments in Kikuyuland. Such insularity has to be overcome, and the Europeans have somehow to work politically with the Africans, if any constructive approach to race relations is to be made.

Sex Inequality at School

FROM the Minister of Education's Report for 1952, published this week, some comparisons can be made between the educational careers of boys and girls. The proportion of boys who get a grammar school education in England and Wales is about the same as the proportion of girls who do so—about 30 per cent of the children of each sex in maintained secondary schools. Neither the boys nor the girls took full advantage of their opportunities, for the commonest age of leaving grammar schools was sixteen for each sex. This means that the education continued for only a year longer than the minimum. Two-thirds of the pupils leaving grammar schools in 1952 were under seventeen; the proportion was much the same for both boys and girls.

Girls did better in the General Certificate of Education. In the individual subjects at ordinary level the girls could show 63 per cent of successes against the boys' 57 per cent. The girls' lead, in this respect, was maintained at advanced level, where 74 per cent of their entries were successful, compared with 71 per cent for the boys. But this lead was in proportion to entries only, not in absolute terms. Although as many girls as boys completed the grammar school course, less than half as many girls entered for the certificate at advanced level. The girls' schools evidently play safe and are content to enter even relatively mature pupils for an ordinary certificate. One reason is, no doubt, that fewer girls seek the advanced qualification because more than twice as many boys go on to universities. State scholarships were won by 1,800 boys and 600 girls, but this represented an equal proportion of successes for the women candidates. At the university stage, however, the men come to the fore. Of 1,250 male state scholars who took their final examinations in 1952, one-fifth got first-class honours, compared with one-eighth of the 400 women.

At the other end of the scale, there were 26,000 boys in schools for handicapped children, compared with 19,000 girls. Male preponderance was heaviest among the maladjusted and educationally subnormal. The broad conclusion seems to be that, educationally speaking, a bigger proportion of girls are mediocre and the boys produce more of both the best and the worst.



Taftism Explained

BEFORE announcing his temporary retirement from the leadership of the Senate, Mr Taft sought to clarify his controversial speech in Cincinnati, which was discussed in the last issue of *The Economist*. The general understanding of this speech was that the Senator advocated a forthright go-it-alone policy for the United States. So cautious an authority as President Eisenhower himself read it in this sense and took the opportunity to say so at a press conference.

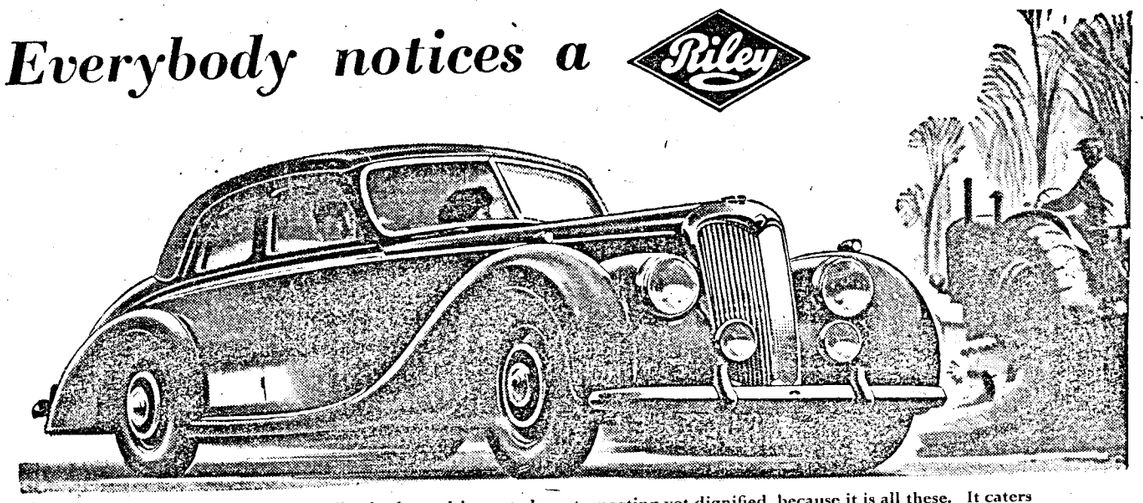
In an apparent attempt to soften the impression he had made, Mr Taft has now published an elucidation. So far from bringing comfort to his critics, his new statement merely reinforces their original fears. "If we are to disentangle ourselves from the United Nations," he said, "we already have treaties with Australia and New Zealand, with Japan and the Philippines. . . . I think we should have a free hand to form an alliance with the British, if we possibly can do so, as to how Far Eastern affairs should be conducted. An alliance has this advantage over the United Nations, that each member can express his views and no other member can veto his action, as the United Nations . . . vetoed the hot pursuit by our aeroplanes in Manchuria."

In other words, Senator Taft's concept seems to leave no room for a concerted policy with America's allies. Either they agree with Washington or they are ignored. President Eisenhower, for one, does not seem to have been reassured. Again this week, in a speech at Minneapolis, he has spoken out against the "fortress theory of American defence" and has reminded the American public that compromise is the essence of democracy and of unity with allies.

Dr Adenauer Fears a Soviet Trap

ONE unfortunate result of Sir Winston Churchill's public support for a Four-Power meeting has been to increase Dr Adenauer's difficulties. The Federal Chancellor has been unable to hide his fears that talks with the Russians might wreck the already precarious chances of forming a European Defence Community; and he has been forced this week to defend himself before the Foreign Affairs Com-

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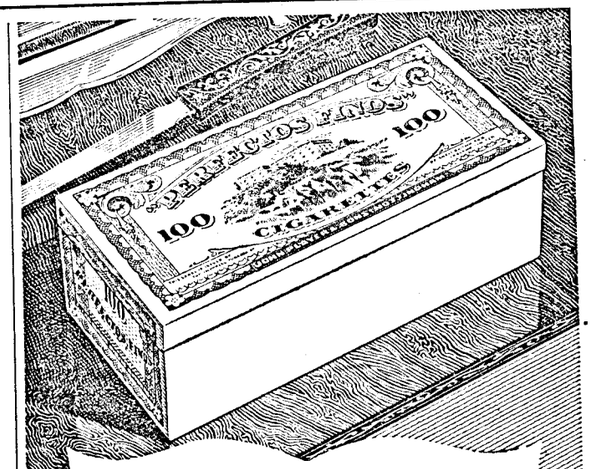
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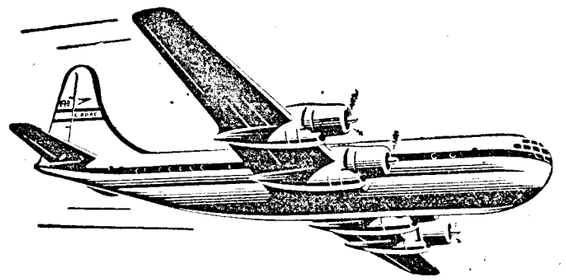
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mittee of the *Bundestag* against the Social-Democrats' charge that he lacks proper enthusiasm for German unity.

Dr Adenauer's fears are well-founded in previous experience of Soviet methods. It is quite possible that Moscow will propose talks on free all-German elections simply in order to confuse the issues in the campaign that has now begun for the Federal Republic's elections. Dr Adenauer's hopes of re-election might be seriously weakened if the Germans were to believe that there was a chance of regaining the Soviet Zone in peace and freedom at the price of abandoning the western alliance. The Soviet negotiators could easily drag out talks on free elections for as long as the marathon conference at Panmunjom, unless the western side itself broke the sessions off. In a number of earlier fruitless conferences with the Russians the western negotiators have gained an insight into their technique which should now stand them in good stead. They know that if Molotov finds agreement beginning to look unavoidable, he throws some extraneous demand into the discussion. Nobody can forget the occasions when the Soviet side, in the middle of negotiating on Germany or Austria, suddenly proposed to talk on China or Trieste. The same trick might well be tried again; and in the meantime, Molotov would perhaps have tried to re-establish four-power control over Germany, with a Russian exercising a veto on affairs in the Federal Republic. That this is what the Soviet Government intends is suggested by its insistence on a return to Potsdam, and by the recent administrative changes in the Soviet Zone, which have brought Semionov's position into line with that of the High Commissioners in the West.

In view of this possible Soviet trap, it was sensible of Dr Adenauer to send a representative post-haste to Washington when the Bermuda conference was announced. He has now secured from President Eisenhower a fresh assurance that no decisions concerning Germany will be taken at Bermuda or at four-power talks without consulting the German government. Sir Winston Churchill gave a similar promise to the Chancellor when he was in London last May. That is all to the good. But the Western statesman apart from consulting Dr Adenauer would do well to avoid starting a chase for agreement with Moscow on Germany until the Federal elections are over.

Goodbye to Famine in India?

MR NEHRU'S recent statement that India expects to be self-sufficient in food next year is heartening; but it is also surprising. The major deficiencies in India's domestic food production are in grain and rice. In both instances the five-year development programme envisages a substantial increase in production by 1955-56; but no remarkable increase is planned or likely by next year. Imports of food for 1953 are expected to reach 2.5 million tons and it is hard to see how this gap will be bridged by local production. A good harvest and a steady increase in productivity, still below prewar levels, might help; but no permanent or immediate solution appears likely. Mr Nehru cannot, of course, be contemplating any reduction in standards of food consumption which, even now average only about 80 per cent of the prewar daily calorific intake per head. His government is committed to a programme of improving living standards for a rapidly increasing population. How this is to be squared with self-sufficiency by 1954 is not clear.

There was until recently no suggestion that the Indian government had such hopes, for there were reports of negotiations with the Russians for a five-year agreement by which India would receive a million tons of grain annually. Furthermore, the Indian representatives at the international wheat meeting seemed only too willing to sign the agreement. A permanent improvement in the Indian food situation would be universally acclaimed, for no one wants to see a return of the famine years of recent and bitter memory; but one would like to see concrete evidence of Mr Nehru's claim.

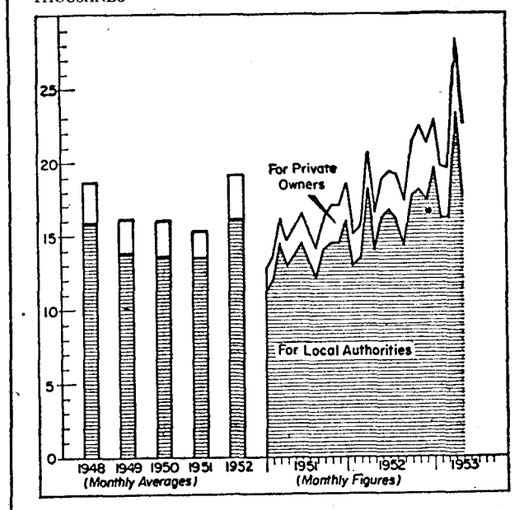
Preserving England

ANYONE who is inclined to think that the Council for the Preservation of Rural England is solely concerned with thatched cottages and village greens is advised to read its annual report. He will then see that its activities range far and wide, from coasts, moors and mountains to housing schemes and refuse pits. With so wide a sphere, it naturally encroaches on the work of other bodies, for instance, the National Parks Committees, the National Trust and local preservation trusts. It also comes up against authority, in one form or another, all over the country: the Service Departments, which have excluded the public from so many open spaces; the Ministry of Housing; the electricity authorities; the National Coal Board; the local authorities; the prison commissioners. Private enterprise is another enemy; the council is concerned with the pollution of the sea by tankers, and with

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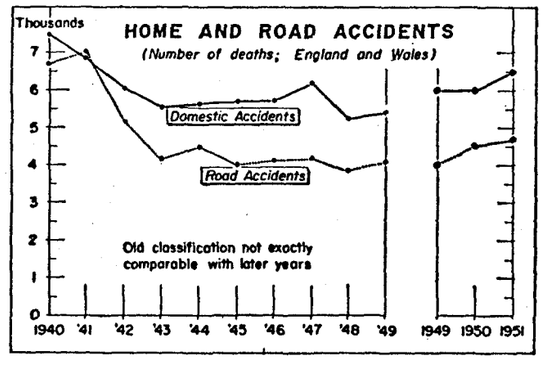


outdoor advertising, including, indirectly, the advertisements in that non-rural area, Trafalgar Square.

In its many battles, the council fights in a good cause. But it is a cause that sometimes has to give way in the face of the inexorable pressure of population and a modern standard of living on a restricted space. People cannot always expect to have amenities both inside and outside their homes. If in a particular case they prefer electricity to a view unbroken by pylons, the council will have to defer to their choice. But the value of its activities, apart from its prevention of some unnecessary horrors, lies in making authority—and private enterprise—think again about some projects. Small modifications and a very little extra expense will often enable the thing to be done without spoiling a beauty spot. What is surprising is that the council can do so much with so small an income. Last year its income was only £5,800, to meet expenditure of £6,370. It certainly deserves more support from the public than it gets.

The Unsafe Home

It will come as a shock to most people to learn that the modern home, with its labour-saving equipment and amenities, is a dangerous place to live in. Yet the report of the Interdepartmental Committee on Accidents in the Home (HMSO, 6d.) shows that annual deaths from domestic accidents far outnumber road deaths. (The comparative figures are shown in the accompanying chart.) No national figures about injuries in the home have been compiled, but they are certainly very large. The report states that in 1946 in a congested Birmingham area 9 per cent of the children under 10 and 13 per cent of all adults were treated at the Birmingham Accidents Hospital for accidents in the home. It has been estimated, from the experience of this hospital, that the hospital treatment of home accidents in the country as a whole costs about £4-£5 million a year.



The very young and the elderly and old are, as one would expect, most prone to accidents at home. Twenty-five per cent of the deaths are accounted for by children under 15, and 50 per cent by persons over 65. According to the report, the commonest kinds of fatal accidents are as follows: falls, 58 per cent; burns and scalds, 13 per cent; suffocation, 12 per cent; coal-gas poisoning, 8 per cent. The proportion attributed to suffocation should, however, be treated with some reserve. There is a widely held belief that many babies found dead in cot or pram, and subsequently said to have been suffocated, may actually have died from natural causes.

Like road accidents, accidents in the home can be dealt with partly by legislation. It is an offence, for instance, to leave a child in a room with an unguarded fire; and last year an Act was passed preventing the sale of gas, electric and oil fires without adequate protection. But as with road accidents, the main remedies must be propaganda and education. The worthy purpose of the committee's report is to provide material on which campaigns for prevention can be based.

Storm Signals in Soviet Germany

The penalty of failure has begun to fall on Herr Ulbricht, whose loudly vaunted process of "building socialism" in the Soviet Zone of Germany has led to an economic crisis and the flight of hundreds of thousands of valuable citizens to the west. It is no longer possible to hide the effects of terrorism, the collectivisation of farms and galloping inflation even in Czechoslovakia, where serious unrest has admittedly followed the government's currency reform (dealt with on page 745). In Eastern Germany, the Communist system is laid bare to western eyes, as the stream of refugees pour over with their tales of misery and oppression; yet the Soviet Zone was intended to be the model and magnet for Western Germans.

The concessions that were announced on Wednesday by the Socialist Unity Party in Eastern Germany are, therefore, in the first place a forced admission of weakness. They are intended to plug the flow of refugees, and to lure back the producers—particularly the farmers and technicians—who have already sought sanctuary in the west. By halting the drive towards Communism, sources of food supplies and consumer goods are to be unfrozen. In addition, the concessions are probably intended to counteract anti-Communist and anti-Russian feelings in Western Germany during the election campaign. This new moderation—which includes an agreement to stop persecution of the Evangelical Church—may have some effect in appeasing the Germans, to judge by the tributes which the Austrians are now paying to the Russians for concessions made in that country. It is a mournful fact that the very brutality of the Russians' normal behaviour means that everyone tends to be delighted with them when they show signs of civilisation, while the freedom long granted by Western governments is taken for granted.

The concessions made in the Soviet Zone include credits for the private traders and abandonment of what are now called "errors" in "coercive tax collection methods." Returning farmers will get their land back, or receive compensation. There will be an amnesty for peasants who had been sentenced for failure to deliver the quotas imposed on them, and on all prisoners serving sentences of up to three years for crimes against State property. It is confirmed that the decree which in May deprived well over a million people of ration cards will be reversed. As this move had originally been made as part of an attempt to mop up surplus purchasing power, the latest decision indicates that the Soviet German leaders will now have to find some other way to combat the serious inflation in their Zone. They may try currency reform, though the unprecedented resistance roused by the Czech government's reform suggests that this is a solution which will not be lightly adopted.

Prince Akihito's Visit

The visit of the Japanese Crown Prince to this country on the occasion of the Coronation has been a significant event, not only as a symbol of the restoration of friendly relations between Britain and Japan since the peace treaty, but also because Japan is now the most important country outside the Commonwealth to retain the institution of hereditary monarchy as part of its political system. Prince Akihito has followed in his father's footsteps; for the present Emperor visited Britain in 1921, when he was himself Crown Prince, and some years ago, according to Mrs Vining, the American Quaker who was tutor in English to Prince Akihito during the occupation period in Japan, the latter declared that Britain was the foreign country he most wanted to visit—a preference surprising to his teacher, who expected him to put America first.

He has now made his first tour abroad at the impressionable age of nineteen, he has been a welcome guest in this country, and he has had an opportunity of observing at first hand those British institutions which have long been admired in Japan, but have hitherto been prevented by adverse conditions from having a decisive influence. The Meiji Constitution of 1889, under which Japan was governed until 1945, was modelled, not on the British, but on the German, political system of the time, and was designed to reserve far-reaching executive powers for the monarchy, while granting to an elected parliament rights similar to those of Bismarck's Reichstag. But the eclipse of Imperial Germany in 1918 left Britain as the principal example of successful monarchy in the west, and Hirohito, both as Emperor and, for a period previous to his accession as Regent, favoured the trend towards a parliamentary monarchy of the British type which was marked during the twenties. This was shown particularly in the Emperor's refusal to replace the Genro or Elder Statesmen—the body which nominated Prime Ministers—as they gradually died off. It was expected that after their final extinction cabinets would be formed according to a usage similar to the British. But a constitutionally autonomous and politically minded army seized the powers which might have passed to the Diet, and the Court was not strong enough to prevent their political ascendancy.

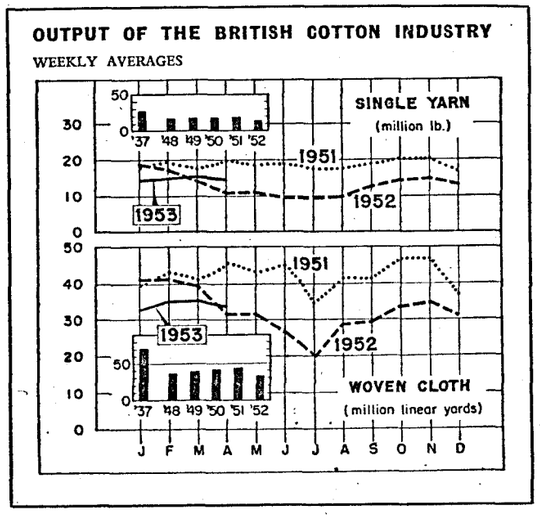
Since the war Japan has adopted under American prompting a complete parliamentary democratic constitution, but the monarchy remains a factor of great influence, if no longer legal power. It can be an essential element of stability in the new liberal Japan or it can become a centre of reactionary intrigue. Much depends on the conception which the young Crown Prince forms of the functions to which he is destined to succeed. It may be hoped that he has taken away from this country some impressions and observations which may be helpful to him in the increasing responsibilities that lie ahead of him.

Freedom of an Editor

That political and civil liberties in Switzerland should be in serious danger seems incredible. Over the centuries political freedom has not only been a Swiss habit, but it has also been extended to a series of stormy exiles, from Rousseau to Lenin. Last week, however, the country found itself in a crisis of opinion over the problem of whether or not the direction of a newspaper is a public trust, independent of the will of its board of directors. The crisis arose over the resignation of M. Pierre Béguin, the editor of the liberal *Gazette de Lausanne*. The *Gazette*, which was founded in the revolutionary year of 1798, has prestige and influence far exceeding its circulation of 20,000 copies. M. Béguin's resignation was the result of seven years of mounting conflict between his own liberal editorial policies and the wishes of a small group of conservative Vaudois financiers who have acquired a controlling interest in the paper.

M. Béguin felt that the *Gazette* could no longer carry on as an independent paper and his stand has been supported by a number of other trustees and many of his regular contributors. It has, moreover, received wide backing from the public and the rest of the press. It even seems likely that the Federal Council, at the request of the National Council at Berne, will give a public ruling, especially as it is preparing to revise the article on the freedom of the press in the Swiss Federal Constitution.

As long as the conflict is *sub judice* it would be improper to do more than recognise that the problem is one of great complexity. On the one hand, a newspaper such as the *Gazette* is far more than a private business and stands in a relationship of responsible independence towards the community. On the other hand, so long as a newspaper represents the private investment and consequent risk of its trustees, the latter have a case for making their opinions felt. A settlement of the dispute between the parties now seems likely, as the opponents of M. Béguin have unstiffened. The details will be interesting to newspapers far beyond Switzerland, for the principle involved is vital.



Books & Publications

Controls and Controllers

THE CONTROL OF RAW MATERIALS. *The history of the Second World War: United Kingdom Civil Series.*
By J. Hurstfield.
H.M. Stationery Office. 530 pages. 35s.

WHETHER in war or peace, this country must import its raw materials, and the basic problem in the last war was again the physical one of getting them in. Until the advent of Lend-Lease, indeed, there was a serious financial problem; and all through there were problems of procurement that increased with the loss of the Pacific and the entry of the United States, until the whole allied and neutral world was being combed for various scarce materials required for the combined war effort. But for Great Britain shipping was the overriding problem in the case of staple materials.

In this volume of the official history of the war, Mr. Hurstfield traces with accuracy and fairness the development of the estimating and programming of requirements in relation to needs and to shipping space—from the prewar days, when no estimates could be made at all, until both the British authorities and the Combined Raw Materials Board were serving up programmes in profusion. Estimating is an art as much as a science, and practice improved greatly on the early days of "We must put down a figure" and "We mustn't leave ourselves short" tempered by "What's the use of your asking for all that?" But how far even agreed programmes can fall short of achievement is indicated by the comparison given on page 216 between the shipping programmes for 1942 and the actual imports. Mr Hurstfield is perhaps inclined to overrate the importance of estimating in totals, essential as it was. He quotes a dictum that "in a planned economy statistics assume the role played by competition under private enterprise." But while statistics of the future may provide an aim, an assumption, or an argument, the result has still to be struggled for.

Mr Hurstfield justly emphasises the lack of prewar preparation, and how gradual was the approach to full civilian austerity. Three things might have been done in the prewar period. Preparations might have been made to curtail civilian consumption drastically on the outbreak of war, in the expectation that the resources released would sooner or later be taken up in the war effort. This course was hardly conceivable in the climate of the time, and it may be doubted whether it would, in fact, have shortened the war or rendered it less costly. Secondly, stocks of raw materials might have been gathered, in the confident expectation that they would in due course be required. This was done only to a very limited extent, but the "phoney war" gave something of a second chance. Thirdly, apparatus might have been established to enable the control of raw materials to be undertaken without delay. Under the stimulus of Munich this was done effectively, and on the day war broke out fully staffed controls came into force for the more important materials. They were staffed from the trade; the controller himself was usually drawn therefrom; and in all matters of detail they had to think and act pretty much for themselves. The controls were even physically scattered over the country. A small headquarters, staffed by civil servants with an admixture mainly of dons, was responsible for their co-ordination and guidance and for transmitting instructions on policy. It was also responsible for looking after the many lesser materials for which no separate control for the time being existed, but which might at any moment become a critical point in the war effort.

This organisation was by no means the only possible one—the Ministry of Food indeed chose rather differently—but it worked remarkably well. The golden rule for headquarters was to give help freely where needed, and to interfere as little as possible when the control was strong and fortunate enough to do its job effectively and without getting into trouble. The allocation of a number of materials for which departments were in acute competition was in due course undertaken by an inter-departmental committee with a ministerial chairman. A heavy burden, however, fell upon the controllers, who plunged into the unknown with courage and determination and carried their trades with them. Too little recognition has been given to their resourcefulness, flexibility and impartiality. Mr Hurstfield deals with them in no more than very general terms, but it is to be hoped that before recollection fades and records disappear the adventures of some of them at any rate may be written down.

Warm-hearted Believer

BORN TO BELIEVE.
By Lord Pakenham.
Jonathan Cape. 254 pages. 18s.

LORD PAKENHAM'S autobiography provides an attractive and reliable self-portrait—none the worse for being partly unconscious—and a chain of amusing stories about his various acquaintances and political adversaries to all of whom he is a little more than generous. But his approach is too emotional and subjective to offer a convincing or coherent account either of his policy as a Socialist Minister or of his successive changes of front towards politics and religion. Odd as it may seem in one who has chosen an academic career, Lord Pakenham, despite considerable intellectual brilliance, appears from this book to be ruled by his heart rather than his head. His main attitudes are to be explained on an emotional rather than intellectual basis.

Lord Pakenham has become successively a supporter of Mr de Valera, a Socialist and a Roman Catholic. The first decision he justifies on the grounds that partition is "against nature" whatever this may mean; the second, by the dogmatic assertion that there is a "superior morality" in the Socialist case "above all in its demand for an equalitarian distribution of wealth." This view, if accepted, would justify any policy of confiscation and runs clean counter to the philosophy of the Roman Catholic Church on the subject of property, but Lord Pakenham endeavours to support it by the proposition "because I believe that each one of us is of equal and infinite importance in the sight of God"—a premise which hardly seems to justify in itself the compulsory redistribution of material things on an arbitrarily egalitarian basis.

His conversion to Roman Catholicism is explained as an urgent necessity occasioned by the need to salvage his genuine piety from philosophic agnosticism. Comparatively late for one of his generation he came to doubt the existence of God, and, some thirteen years afterwards, he tells us that he flew in to Father D'Arcy at Brewer Street "like a homing pigeon." "It was not a choice between Catholicism and any other form of religion. It was a belief in Catholicism or no belief at all." Faced with these stark alternatives, no doubt Lord Pakenham made the right choice; but it is precisely the question why life should have presented itself to him in this somewhat simplified form to which he never really gives any sort of answer.

The same unintellectual and subjective approach colours his account of his principal ministerial decisions. One may approve the courage and warmth of heart with which he entered into his duties to the defeated Germans, but he never explains why he should discount the opinions of those who regard them a little more suspiciously than he does himself. The debate on his rejection, perhaps a little hasty, of the results of the judicial inquiry into the Prestwick air disaster is reduced to "nothing but a Prep School Court Martial . . . kick, pinch, slap, punch." And the relations between the races in Africa suggest to Lord Pakenham nothing more complicated than the picture of the Irish tenantry assembled before Lord Aberdeen at a Pakenham horse show.

The title "Born to Believe" is drawn from Disraeli's famous speech at the Sheldonian in which he proclaimed himself as "on the side of the angels." No one who reads this book will doubt the reality of Lord Pakenham's faith or his desire to serve on the side of the angels; but those who are less concerned with the achievement than with the content and grounds of belief will find little to satisfy them in his account of the matter.

Germany's Generals

THE GERMAN GENERAL STAFF.
By Walter Görlitz.
Hollis and Carter. 508 pages. 30s.
SWORD AND SWASTIKA.
By Telford Taylor.
Victor Gollancz. 413 pages. 21s.

THE sinister characteristics of the German General Staff were for long an article of simple democratic faith—no institution in German history has enjoyed such authority as the army, none so completely embodied the continuity of national purpose. The General Staff were the high priests of this tradition, which they were trained to serve with an impersonal devotion. Their description of themselves as unpolitical is naïve and misleading; under its ablest leaders, from Scharnhorst to Seeckt and Schleicher, the High Command played, and sought to play, a major role in the development of the German state and its policy. The plea that German generals were not concerned with politics was the excuse with which the army's leaders sought to evade obligations (as under Weimar) or responsibilities (as under Hitler) which they found it convenient not to recognise. Hitler was the first German ruler who refused to accept the pretensions of the General Staff, and their exclusion from politics after 1938 marked the end of their power—without regard to what they may regain in the future.

No history of this remarkable institution has hitherto been available in English. The first of these two volumes is an abridged translation of the work which was first published in Germany in 1950. Herr Görlitz, who is also the author of a history of the Second World War and a biography of Hitler, tells his story plainly and clearly. Beginning briefly with the work of the founding fathers, Gneisenau, Scharnhorst, and Clausewitz, he really gets into his stride with Moltke, who became Chief of the Prussian General Staff in 1857. Only Seeckt ranks with Moltke in the influence he exerted on the character of the German General Staff, but a series of well-drawn portraits fill the gap between, from Schlieffen, combing history to find a parallel in Cannae for his own plan of encirclement, to Hindenburg and the magic formula of the "stab in the back."

More than half the volume is devoted to the years after 1918, and the chapter on the Weimar period is the best in the book. The years that followed began with brilliant hopes of what Hitler would do for the German army and ended with the ignominy of a double humiliation, at the hands of Hitler and in the loss of the war. It is a shabby record, which illustrates the limitations not only of the men who then led the German army but of the tradition in which they had been bred. Herr Görlitz is content to tell his story with few comments. But most English readers will feel bound to ask whether the moral decline that stands out so sharply from his pages does not go back to the methods of chicanery and deceit with which the German High Command sought to conceal its responsibility for the loss of the war and its intention to rebuild German military power after 1918.

It is also true, as Brigadier Telford Taylor insists in the second of these two books, that the German generals were in far more substantial agreement with Hitler's objectives than they or Herr Görlitz are prepared to admit. Brigadier Taylor's book is substantially an expansion of the brief he presented as one of the American prosecutors at the Nuremberg Trials, and it makes effective use of the evidence then brought to light. The narrative stops short with the occupation of Poland in 1939, but its analysis of the social and moral shortcomings of the German Officer Corps and its traditions is far more critical than Herr Görlitz's account. Indeed, a comparison of the two books reveals the wide gap that still separates American and British views of the place and purpose of the army in the state from those of even postwar German opinion.

Twice before, after Jena and after 1918, Germany's military leaders succeeded in evading the terms of a dictated peace with momentous consequences for Germany and for Europe. The decision to rearm Germany again may be inescapable, but these two books leave one in little doubt of the dangers that can arise from pursuing such a course without adequate safeguards.

Matters Great and Small

OUR TIMES: *A Social History, 1912-1952.*
By Vivian Ogilvie.
Batsford. 224 pages. 21s.

THIS book consists of a series of chapters recording forty years' change in food, agriculture, health, clothing, building, transport, communications, power, machinery, materials, industry and leisure. Thus it is not, perhaps, quite a social history; but it assembles in a convenient and readable form an immense amount of the material which a social historian would use. Much of the information is familiar but there are surprising items. Did the reader know, for example, that one of the patent medicines from which we are now protected by a watchful government was a slimming pill containing the maggots of intestinal worms? Any further selection, after that, must suffer from anticlimax. But it is interesting to know that a slot machine existed at Bridgewater in 1750; that aluminium was such a rarity a hundred years later that Napoleon III had a set of aluminium spoons and forks to supersede the silver at very special banquets; that the percentage of labourers to farmers has fallen in sixty years from 5:1 to 2:1; that an increasing number of people pronounce the d in Wednesday; that the last country bank issuing its own notes lasted until 1921; that the BBC orchestra in December, 1922, contained only eight performers.

Great matters and small alternate with a charming inconsequence. Having disposed of the atom bomb we confront the fountain pen. Among the most fascinating pages are those describing how things are run at a Butlin camp. It is obviously rather like Eton, only better. This would be an excellent book for a school library. It is, of course, as the publisher's name suggests, profusely illustrated.

Compleat Holiday-maker

OXFORD TRAVEL ATLAS OF BRITAIN.
Edited by D. P. Bitkmore.
Oxford University Press. 34 maps and 253 pages. 10s. 6d.

THE publishers describe this book, with excessive modesty, as an atlas. Certainly it contains a number of maps, but there is also much information of a kind that does not normally find a place in an atlas. The atlas is well planned and is therefore an easy reference book.

The book opens with a list of "100 country eating-places" and continues with lists of notable gardens and country houses. Then follow road maps (showing traffic density), railway and physical maps, maps of scenery (the legends are of doubtful legibility and the colour-printing of poor registration), maps of sunshine and rainfall, and sports. The United Kingdom is covered by a series of maps at about 12 miles to the inch. The gazetteer, perhaps the most important section of the book, occupies the rest of the volume.

Every reviewer records his protest when one of his favourite objects of interest is omitted. Let it therefore be stated that the charming Byland abbey goes unnoticed, whereas other Yorkshire abbeys are all recorded; also the probably unequalled parish church of Whitby has no reference made to it. In fact these two omissions typify the principal ground of criticism of this atlas: the recording of objects of historical and architectural interest is very incomplete. These matters are of interest to people planning a holiday and should receive more attention in a second edition.

It is right, however, to keep a sense of proportion and to emphasise that this holiday atlas contains an enormous mass of information within a very small compass and at a modest price. The gazetteer is undoubtedly the most impressive feature of the atlas and it is effectively linked with the maps by cross references based on the national grid system. The book should become a standard work of reference on everybody's bookshelves and a most useful handbook for any visitor proposing to spend a wide-ranging holiday in Britain.

Text and Reference Books

WORLD PRODUCTION OF RAW MATERIALS.
Royal Institute of International Affairs.
104 pages. 7s. 6d.

This little book is divided into three parts. In the first, it discusses the problems that affect raw materials today, and describes experiments in international co-operation. Then it gives notes on sources and uses and, thirdly, tables of world production of about fifty commodities, agricultural and mineral. One section deals with synthetic materials. Information, including statistics, not usually obtainable in one book are here brought together.

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STATISTICAL YEARBOOK 1952.
United Nations. Her Majesty's Stationery Office. 554 pages. Clothbound 55s.; Paperbound 45s.

The latest issue of this yearbook continues to provide a valuable service in international statistics. A few new tables have been added since the previous issue while a few others have been omitted; but improvements have mainly taken the form of extending the scope of some of the series and introducing new countries.

★

IRON AND STEEL WORKS OF THE WORLD.
Edited by M. G. Cordero.
Quin Press. 651 pages. 50s.

Details are given of more than a thousand works in fifty countries, mainly those producing pig iron, raw steel rolled sections, flat steel and tinplate; independent fabricating works and small re-rollers are not generally included. For most of the larger works, these include descriptions of the steel plant and equipment installed, the products made, the total issued capital, and some indications about capacity or output in a recent year. This is the first publication of its kind; it constitutes a very useful assembly of data, including some upon steelworks in Communist-controlled countries.

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ENCYCLOPÆDIA BRITANNICA BOOK OF THE YEAR, 1953.
663 pages. £3 3s.

This annual deals mainly with the events of 1952, and follows the general pattern of its predecessors with the addition of some new subjects. The European Defence Community and the Mutual Security Programme are included for the first time. Historical reviews covering a longer period than 1952 are given of some important items at home and abroad. Nearly all the articles are illustrated, many of them by photographs of a high quality.

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THE PRACTICE OF LIFE ASSURANCE.
By N. E. Coe and M. E. Ogborn.
Cambridge University Press. 440 *pages.* 32*s.*

This addition to the series of new textbooks that is being published jointly by the Institute of Actuaries and the Faculty of Actuaries in Scotland is intended for students studying for an advanced part of the examinations. The scope of the subject is so wide that it has been necessary to condense greatly the treatment of each individual topic; the book is, nevertheless, far from heavy going and there is an adequate bibliography at the end of each chapter.

Readers are assumed to possess a thorough knowledge of the theory of compound interest and of life contingencies, and the book has, therefore, only a limited appeal to the non-actuary. It does, however, give a useful insight into the intricacies of the administration of life assurance, and instils a healthy respect for the mathematical dexterity and breadth of knowledge that is required of the present-day actuary. In addition to a mastery of more mysterious crafts, such as the calculation of premiums and the valuation of the liabilities of life offices and pension funds, the actuary must possess a sound working knowledge of many other things, including income taxation, the interpretation of medical reports and the theory and practice of investment. The extent to which the authors have kept their feet firmly on the ground is illustrated by their remark that "when the proposed life is stated to be a total abstainer we need to know for how long he has been an abstainer. If he has previously suffered from alcoholism the risk is one of a return to alcoholic excess."

The two actuarial professional bodies are showing considerable enterprise and energy in the production of their new textbooks and skill in the selection of authors who possess the facility of presenting highly technical subjects in a readable manner. This book maintains the already established high standard of the series.

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THE YEARBOOK OF THE UNIVERSITIES OF THE COMMONWEALTH, 1953.
G. Bell & Sons.
1805 pages. 3 gns.

This yearbook, published for the Association of Universities of the British Commonwealth, is now in its thirtieth issue. It gives information, revised up to last September, about each Commonwealth university and university college; it lists its teaching staff, the degrees, diplomas, and postgraduate awards that it offers, and states the income that it commands. It also gives a brief summary of the history of each institution. It is a useful book of reference, especially for those interested in higher education in the Commonwealth.

Letters to the Editor

A Natural Phenomenon

SIR—Reluctance to spoil the innocent wonder of the credulous and destroy a good tourist attraction has hitherto kept me silent on the subject of the Loch Ness monster. But now that, as noted in your issue of May 30th, the Gas Council is about to make a large-scale search for natural gas in this country, poor Nessie's demise cannot be far off. For Nessie is not phenomenal but merely a phenomenon. She is created by the periodical rising to the surface of the loch of a series of huge bubbles of natural gas coming from a geological fault that passes under Loch Ness.—Yours faithfully, A. W. MORRISON
Glasgow

Mink to Beaver Lamb

SIR,—The article in your issue of May 9th contains some misleading statistics relating to the use and export of the home-produced rabbit skin crop. The British crop of rabbit skins is used for the manufacture of fur felt hats, and the bulk of the crop is exported to the United States and Continental manufacturers. The quantity of British rabbit skins used for the manufacture of garments is negligible. The manufacturer of rabbit skin coats relies primarily on imported merchandise, as the indigenous article is unsuitable. Total home produce skin exports during 1950-51-52 was £3,078,000, and of this £2,772,000 were raw undressed rabbit skins for the hatting industry, primarily exported to the United States.

This industry does not come under the purview of the London fur market, but is carried on by old-established merchants in the United Kingdom, and these houses are not to be found "in the little side streets behind the dignified headquarters of the Hudson Bay Company." The British rabbit skin crop is neither collected nor merchandised by the fur trade. It is not supplied to nor manufactured by the fur trade. It is essentially the raw material of the hatters' fur and fur felt hat industries.—Yours faithfully,
S.E.1 J. BARRY DE JONGH

Who Rules in Africa?

SIR—In the article published in *The Economist* of May 16th, it is stated that the Executive Council of Uganda is "entirely official." This is not so. The council, under the presidency of the Governor, consists of six *ex-officio* members, three official members and six unofficials. The unofficials are two Africans, two Europeans and two Asians.

I think it should be made clear, too, that there is an African preponderance on the unofficial side of Legislative Council, though not, as you rightly point out, on Legislative Council as a whole. At present, the council is balanced between sixteen *ex-officio* and official members, all of whom are heads of Government Departments, and sixteen unofficials. The unofficials are eight Africans (two representing each of the four provinces), four Europeans and four Asians.—Yours faithfully,
Kampala HORACE WHITE

American Survey

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

Crusade Meets Congress

Washington, D.C.

THE early part of last week provided a stimulating diet for American television and radio audiences. On Monday, June 1st, they listened to Mr John Foster Dulles reporting on his visit to India and the Middle East. On Tuesday they were tuned all day to the great and gorgeous happenings in London, and on Wednesday they had the privilege of a "folksy" television interview with the President and four members of his cabinet. This last, although it attracted nothing like the attention accorded to the generally disappointing and unsuccessful presentation of the Coronation, represents a new and serious attempt to build a bridge between the President and the American public along the lines of the Roosevelt "fireside talks." It was not altogether successful; the slick hand of the New York advertising agency which had turned many stomachs during the Republican election campaign was again in evidence. The President made an unfortunate reference to the scare word "Munich" in referring to the possibility of compromise in international negotiations and certain aspects of policy, such as agricultural exports, were discussed too glibly.

The key to the importance of this new political use of television lay in the extent to which its general tone belied its brave title "The Crusade Up to Now," for this had little of the ruthless vigour of a crusade about it. It was a highly defensive attempt to explain to the American people that despite appearances the Administration has in fact got policies for agriculture, national security, welfare, and the economy which it does not need the help of Congress to formulate or administer. That a President who was elected with by far the largest popular vote in American political history should find himself, after five months in office, obliged to give such an explanation is not, however, as remarkable as it seems.

President Eisenhower is not a politician and, as a professional soldier, has been living outside the United States for a great part of the past forty years. To him, as to many other Americans who have never had the opportunity or the curiosity to study the workings of their own political system at first hand, the duels and conflicts between Congress and the Presidency over the past twenty years have seemed largely unnecessary, the work of factious and fractious men which could be avoided with a little common courtesy and common sense. The view that the President must either lead his party from the day of his inauguration or be led by them, that he must rule through a coalition of like-minded people in both parties and not depend solely on his own party, was thought by many to be purely an invention of the high-handed Roosevelt and Truman regimes.

Mr Eisenhower has now found out that this is not so, that there are basic rules in American politics which govern his own presidency as much as those of his predecessors. Within the space of a week he was forced to dissent vigorously in public from Senator Taft's notions on Far Eastern policy, to intervene directly to dissuade the Senate from tacking a rider to an Appropriation Bill which would have cut off the United States contribution to the United Nations if Communist China were admitted, and to use his influence to persuade the House Ways and Means Committee to report out a Bill for the continuation of the Reciprocal Trade Agreements Act without crippling riders or amendments.

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Unfortunately this resumption of presidential initiative has come so late upon the scene that a substantial price has had to be paid for it. To convert the rider on the admission of Communist China to the United Nations into a Senate resolution, the President has had to give an undertaking—or at least it is construed in that sense by Senators Knowland and Bridges—that he will provide an active lead in preventing that admission. This clearly implies a much more dogmatic attitude to the question than the President or the State Department would like to take. Many people feel that this piece of senatorial folly should have been headed off before it had begun to gather serious momentum by the kind of discreet State Department pressure and explanation which could generally be managed even in the bad old days of Mr Truman's difficulties with Congress. This feeling was reinforced by the President's admission at his press conference two weeks ago that he was unaware of this development in Congress, although it had been in the press for at least a day and a half.

Equally, in order to persuade the Bourbons of the House of Representatives, Mr Reed and Mr Simpson, to accept an unrestricted renewal of the Reciprocal Trade Agreements Act, the Administration has had to agree to enlarge the Tariff Commission from a six to a seven member board. The Act which set up the commission forty years ago was intended to establish an impartial fact-finding board, leaving considerations of policy to the President. This was clearly set out in the stipulation that not more than three members were to be of the same political party. Now it

seems certain that there is to be a Republican majority on the commission. The President has got the breathing space of a year which he considers necessary to reconsider American foreign trade policy but, as the *Washington Post* says, "it is unfortunate that the extension has been sullied with a measure reminiscent of President Roosevelt's attempt to pack the Supreme Court."

What is unfortunate, from his own point of view, is not that President Eisenhower has tried the experiment of treating the Republican committee chairmen in Congress as if they were capable of pursuing the national interest until they proved themselves unable to meet this standard, but that he has allowed the experiment to continue for so long. On the expenditure side his fiscal policy, which for sound administrative reasons could not be presented until a few weeks ago, will probably be accepted, and the current row over the cuts in the Air Force budget will blow down river like a Potomac thunder shower. On the revenue side the President and Mr Humphrey, the Secretary of the Treasury, face a gathering storm over the extension of the excess profits tax, on which they have failed to gain the backing from the National Association of Manufacturers and other business organisations whose support they had—somewhat naïvely—hoped to enlist. This augurs badly for the rest of the untidy tax structure which has grown up to meet the needs of rearmament and forced the President to take his case directly to the people, not only over the head of Mr Reed but also over the leaders of business opinion.

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It is foolish to try to judge President Eisenhower, a man without direct political experience who heads a party ignorant of contemporary administrative responsibility, as if he were an experienced politician. Nevertheless, it seems justifiable to record two sources of regret. The first is that there was not a better understanding in the White House of the time element in the American legislative machine. As a result of the gentle hand which Mr Eisenhower has laid upon Congress, a great many of the sensible constructive measures which formed part of his "Crusade" will have to be abandoned for this year. Although frantic efforts are being made to prepare revisions of the Taft-Hartley Act to conform to the President's promises to labour, it is doubtful if they will see the statute book at this session. Similarly statehood for Hawaii, the St Lawrence Seaway and the admission of a quarter of a million refugees and immigrants will probably go by the board for this year.

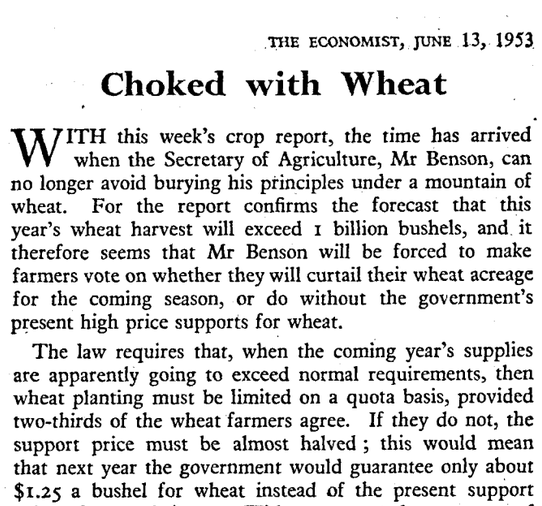
The other source of regret is that the likelihood of a Korean truce finds the President without that clear ascendancy over Congress and his own party which he will need to guide them through the complicated and unpalatable decisions which will flow from an armistice agreement. This is going to open a Pandora's box of views and prejudices on the future of American relations with Communist China, and the most extreme ones, on this as on economic and fiscal questions, exist within the President's own party. The danger is that the President, and American foreign policy, may become imprisoned by the passions which the Republican Senators can stir up on Far Eastern questions. As Mr Ernest Lindley has expressed it in *Newsweek*: "In a real sense, the major question may be, not whether the President can win control of Congress, but whether he can escape the control of Congress sufficiently to perform the highest functions of his office."

Choked with Wheat

WITH this week's crop report, the time has arrived when the Secretary of Agriculture, Mr Benson, can no longer avoid burying his principles under a mountain of wheat. For the report confirms the forecast that this year's wheat harvest will exceed 1 billion bushels, and it therefore seems that Mr Benson will be forced to make farmers vote on whether they will curtail their wheat acreage for the coming season, or do without the government's present high price supports for wheat.

The law requires that, when the coming year's supplies are apparently going to exceed normal requirements, then wheat planting must be limited on a quota basis, provided two-thirds of the wheat farmers agree. If they do not, the support price must be almost halved; this would mean that next year the government would guarantee only about $1.25 a bushel for wheat instead of the present support price of around $2.20. With an expected carry-over of nearly 600 million bushels when the crop year ends this month, to add to the new crop which is already being harvested, there can be little doubt that next year's normal requirements will be exceeded. And with the Korean armistice so near, Mr Benson can hardly take shelter behind the national emergency that saved his predecessor from having to impose quotas last year.

That some restrictions are necessary in order to limit the government's financial commitment is shown by the present position of the Commodity Credit Corporation, the agency responsible for price-supporting operations. Wheat, actually



owned by the corporation or held as collateral for loans to farmers, represents the largest single item by value in the CCC's investment. As a result of the favourable harvest prospect, future prices of wheat are well below the support price at which loans are made, and have been falling sharply. It is therefore expected that in the next few weeks farmers will relinquish much of this wheat to the corporation in preference to repaying their loans. In consequence, most of this year's wheat surplus will be owned by the government. In addition farmers are likely to put a higher proportion than usual of the new crop under loan because of the low market price for wheat. Cotton and possibly maize are also candidates for acreage restrictions this year, but this will not be decided until the autumn.

Various proposals are being considered in Congress for softening the impact of wheat quotas on farmers. It is being suggested that the present conception of "normal reserves," based on a period when the population of the United States was smaller and the danger of supplies being disrupted by war was less, is outdated and that stocks of as much as 500 million bushels of wheat are now desirable. If this idea gains legal acceptance, quota restrictions on wheat might not be required for next season. The House Agriculture Committee has approved a Bill which would fix the minimum acreage to be planted to wheat at 66 million acres; the Department of Agriculture had proposed 62 million acres for next year, which would mean that each farmer's quota would be only about 80 per cent of his wheat plantings in the current crop year.

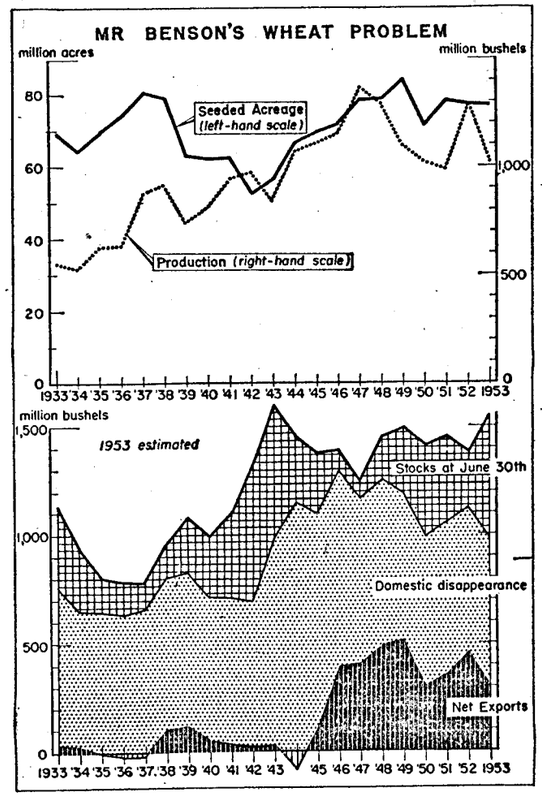
But even if this higher figure is accepted Mr Benson, who only a week ago was telling the country that agricultural programmes would give the farmer freedom of operation and should not price American products out of world markets, will have to spend the next month trying to induce farmers to vote for restrictions on their output in order that their prices may stay high. For if the farmers reject the quotas (they approved them when last asked to do so in the early nineteen-forties), the price of wheat seems certain to fall disastrously next summer, if not before, just as the congressional election campaign begins. And in that case the Republicans, who cannot afford to lose a seat, would have little hope of holding the votes of the farmers who were prosperous under the Democrats but whose prices and incomes have been falling steadily ever since the Republicans took office. It is not surprising that President Eisenhower's first speaking tour since the election is taking him through the northern wheat states, or that the House of Representatives has insisted on giving the Secretary of Agriculture more money than he requested for the soil conservation programme; under it payments are made to farmers who improve the fertility of their soil, something which any good farmer would do in any case.

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It is not only the Republican principles of economy and freedom from government regulation that are being choked by the wheat surplus, but also the principle of getting the government out of business. For the most immediate problem is that of finding storage space for the new crop, and for the maize that will be harvested in the late summer. The Department of Agriculture has already arranged for emergency warehouses, such as a hundred laid-up cargo vessels belonging to the Maritime Commission, and farmers are being urged to expand their own storage capacity. But there is little doubt that, as last year's grain crops now under loan are taken over by the CCC, the government will be obliged, however reluctantly, to build new storage facilities and thus to compete with private enterprise. Political considerations enter into this question, too, for the Democratic victory in the agricultural states in 1948 was widely credited to the failure of the Republican Congress to allow the government to add to its storage space for maize; the large crop of that year then flooded the market and drove the price down.

The fall in export demand during the past year is the main reason for the present surpluses of wheat and cotton. Last March agricultural exports made up only 18 per cent of the total for the month, compared with 26 per cent of a rather higher total a year earlier; wheat and wheat flour, valued at $74 million for the month, were, as usual, the leading farm exports, but had fallen in value by almost 40 per cent since March, 1952, while cotton was down by over 50 per cent.

It is admitted that this fall is due in part to the restrictions that have been imposed on agricultural imports, especially dairy products. Dairy products benefit from government price support programmes which keep prices high enough to attract competition from foreign sources. The much criticised section of the Defence Production Act, which requires that imports of these products should be controlled and has resulted in complete embargoes in several cases, is about to expire, but President Eisenhower has only been able to prevent Congress from renewing it by establishing new import quotas and tariff schedules for dairy products and certain types of fats and oils. However he has at



least succeeded in lifting the complete ban on imports of butter and dried milk and has increased quotas for most types of cheese. The President has also asked Congress to lighten the wheat surplus directly, if only slightly, by giving 37·5 million bushels (1 million tons) of government owned wheat to relieve the famine in Pakistan, and there are other proposals before Congress for moving farm surpluses "not into storage but into stomachs" in other countries.

American Notes

Time for Economic Advice

PRESIDENT EISENHOWER has at last produced his scheme for the re-establishment of his Council of Economic Advisers, a decision which could hardly have been postponed much longer. Even now, it will be the end of July, unless Congress can be induced to approve the new scheme more quickly, before the council can function formally. And the Korean armistice gives an urgency to the council's official duty, that of making plans to counter a possible economic recession, which has not been felt since Congress set up the agency in 1946, immediately after the last war. The recession forecast then failed to materialise, but President Eisenhower dare not trust to luck that the same thing will happen again. For if a fall in economic activity does bring serious unemployment, then the Republican party, last in power in the early nineteen-thirties, would be forever associated in the public mind with depression. Therefore the new Administration ought to be, and apparently intends to be, prepared to answer any signs of an impending recession with even more speed than might have been expected from the Democrats.

It would have made a bad impression if the President had begun by killing off the agency which is supposed to do his economic planning for him; but in fact his delay in making up his mind allowed Congress to cut off the council's funds and thus drive it out of business for the time being. Distrust of the old council arose from the political flavour given to it by its close association with Mr Truman's Fair Deal policies; the members, Mr Leon Keyserling in particular, had often been outspoken defendants of the more extreme of these policies, both to Congress and the public, although they did not always speak with the same voice. Paradoxically, another criticism was that Mr Truman did not in fact take the council's advice, or even bother to consult it, as much as he should have done. Moreover, other government agencies, with long-established interests in economic matters, regarded the economic advisers as upstarts and avoided them as much as possible.

President Eisenhower's reorganisation scheme sets up an advisory board on economic growth and stability, which would act as a co-ordinating body between the council and other government offices. The chairman of the board would be the chairman of the council, who is also given authority over the other two members. The chairman's prestige is further strengthened by the provision which makes it clear that only he is to deal directly with the President. The new chairman is to be Dr Arthur F. Burns, an economics professor and an expert on business cycles, who has been acting as the President's economic adviser while the Council has been in abeyance; President Eisenhower is known to rely heavily on his advisers; and Dr Burns is respected in Congress and believes that the council should keep out of both political controversy and the public eye. For all these reasons the Council's new lease on life may be more successful, and perhaps more useful, than its old one.

Another Round for States' Rights

THE Senate Judiciary Committee has decided to forward to the Senate the proposed Bricker amendment to the Constitution, which would give Congress and the states greater control over the President's treaty-making powers. It is unlikely that this amendment, which is accompanied by a trenchant minority report, will be considered by Congress this year. And the resolution would have to be approved by two-thirds of the membership "present" in the Senate and House, and then by three-fourths of the 48 State Legislatures within seven years, before it could become an effective amendment to the Constitution. In spite of the fact that Senator Bricker and his supporters still have a long way to go, however, the favourable vote of the Judiciary Committee marks yet another round in the bout between Congress and the Eisenhower Administration.

The legal aspects of Senator Bricker's case, which is based on the fear that treaties drafted and submitted by agencies of the United Nations would over-rule the Constitution and cut across domestic legislation, are extremely complex. Backed by part of the American Bar Association, Senator Bricker has been able to generate a good deal of heat and even a little light. It is possible to conceive of instances of conflict between the United Nations Charter and state laws. But whereas the perils invoked by the Bricker resolution are, at this time, imaginary, the motives behind it are a real and present danger to the Administration.

Senator Bricker and his sixty-three colleagues who have endorsed the proposed amendment—a fact which does not commit them to voting for it—represent a general movement to take power away from the White House and give it back to Congress and the individual states. Senator Bricker has made it plain that he wants to protect the "basic beliefs" of the people of the United States against the possibility of such disasters as another spell of Democratic foreign policy. The Tenth Amendment declares that powers not specifically delegated to the federal government remain vested in the states. Thus the states should have the right to ratify or reject treaties which affect matters not directly within federal purview. But, while the assertion of states' rights represented by the tidelands oil decision would affect the government only in case of emergency or secession, the Bricker amendment could hamstring President Eisenhower's executive role in foreign policy.

After a slow start, the Administration tried to stop the resolution at the committee stage. Mr Dulles reversed his earlier opinion, expressed at Louisville in April, 1952, that treaty law can over-ride the Constitution. But this, together with the compliments heaped on Senator Bricker for his vigilance and red-blooded Americanism, has clearly not been enough to do more than, at the most, slow down the progress of the Amendment.

More Academic than Free

AFTER much soul-searching, Harvard University has decided that former membership in the Communist party or a refusal to answer congressional investigators are not *prima facie* causes for dismissal from its teaching staff. This decision is an improvement over the policy of many other universities where principles of academic freedom have been partially sacrificed to fear of McCarthyism. It is not, however, that formulation of an honest doctrine and of a rallying point for liberalism which might have been expected from the most revered and financially independent of American universities. Not only has Harvard decided that present (as distinct from past) membership in the Communist party would justify dismissals, but it has preferred not to discuss the vital case for allowing Communism to be taught and studied openly. It is absurd to treat Communism as if it did not exist or as if it were an occult mental disease, and it is one of the primary functions of a free education to present alternative views. This interpretation of academic freedom, already put forward by Justice Holmes, has been courageously supported by Professor Harper of Yale in front of a hissing audience of the General Federation of Women's Clubs.

The Harvard formula, moreover, deplores the use of the Fifth Amendment—that no one "shall be compelled to be a witness against himself"—as a shield against congressional harrying, because such a defence is inconsistent with "the candour to be expected of one devoted to the pursuit of truth." It is true that the Fifth Amendment safeguard has been abused. Harvard's disapproval, however, overlooks the present political atmosphere, in which a man who is under investigation may feel compelled to seek refuge in complete silence, since a qualified answer or a refusal to turn informer give immediate rise to the gravest suspicions. Not only a man's job is at stake, but his whole place in the community, the admission of his children to schools and his freedom to leave the country and return at will.

As successor to Mr Conant, as President of Harvard, the Corporation has chosen Mr Nathan Marsh Pusey, head of a small college in Wisconsin. Mr Pusey is a distinguished humanist and the author of a study on Athenian law. One can only hope that humanism and justice will stand him in good stead. American universities, particularly those that are independent of state financial aid, will have to remember that freedom of thought is, and always has been, a dangerous doctrine, but that without it there comes the safety of totalitarianism.

Open Back Door

WHILE in Washington Congress is holding hearings on the President's emergency proposal to admit 240,000 immigrants during the next two years, to help solve Europe's refugee and population problems, a stream of three to six thousand immigrants a day is pouring over the southern boundary of the United States without benefit of quotas, loyalty tests, or permission. So far this year over 300,000 "wetbacks," illegal immigrants who swim (or wade) the Rio Grande to evade border patrols, have been caught and returned to Mexico; the year's total may come to almost 900,000, and at least an equal number will probably escape detection and deportation. The ironic spectacle of these hundreds of thousands of uneducated, unskilled workers flooding in through the southern door, while immigration officials screen aliens carefully one by one in east and west coast ports, does not seem to worry Congress, which has repeatedly refused to provide enough money to pay adequate border patrols.

Congress has indeed given little attention to any of the problems of migratory labour; migrant farm workers, whether foreign or domestic, are unorganised and have no votes and therefore no political power—but their employers have and use it to discourage Washington from interfering. No minimum wage laws or welfare legislation cover these migrants and employers of wetbacks are not liable to prosecution for harbouring illegal immigrants. The only recent congressional action on migrant labour has been a three-year extension, so far by the House alone, of the agreement between the United States and Mexico under which a number of Mexican workers—200,000 last year—receive contracts, guaranteed by the government, from individual employers. It was argued when this legislation was first passed that the institution of contract agreements would end illegal entries, but in fact the number of wetbacks has grown steadily. In 1952 over 635,000 were apprehended and sent back, and at least as many more were not caught; one estimate is that 1.5 million wetbacks worked in the United States last year. Five consecutive years of drought in northern Mexico have driven more and more Mexican labourers over the border to a country where wage levels and standards of living are far higher.

But when they get to the United States, the wetbacks are forced by their desperate need and lack of protection to accept sub-standard wages and to work under conditions which depress the standards of all farm workers. The changing pattern of American agriculture, in which larger and more fully mechanised farms require fewer steady workers than they used to do, but more temporary harvest labour, has forced the big farmers to rely increasingly on migrant workers. The urgent need of the farms for labour, and of the Mexicans for jobs, have set up pressures that cannot be held back by the 600-man patrol which is at present all that guards the 1,600 miles of southern frontier.

Segregation Fading Away

THE Supreme Court has been unable to reach a decision on what was probably the most important issue to come before it at its present session, the question of whether racial segregation in primary and secondary schools is constitutional. The five cases dealing with this matter, which were first argued before the court last December, are to be argued again next autumn and, from the specific points which counsel have been asked to discuss, it is clear that the justices could not make up their minds on either the law or the public policy involved in these cases. They have forced the court to reconsider the whole doctrine of "separate but equal" facilities for Negroes on which has been based the previous decisions that have done so much to undermine racial discrimination in higher education.

The court did, however, rule that it was illegal for restaurants in Washington to refuse to serve Negroes. The decision had little constitutional importance, for it turned upon a technical aspect of the peculiar way in which the District of Columbia is governed, but nevertheless it weakens that racial segregation which has so long disgraced the national capital and which President Eisenhower has promised to abolish. The local housing authority is also making its contribution, by opening up its public housing facilities to all races; whites are to be allowed to move into Negro

units as well as Negroes into white units. There is still a long way to go in Washington, but the line of attack proposed by a Negro member of Congress, Representative Adam Powell, seems too sharp ; he tried unsuccessfully to cut off all funds from district agencies, such as schools, which practice segregation.

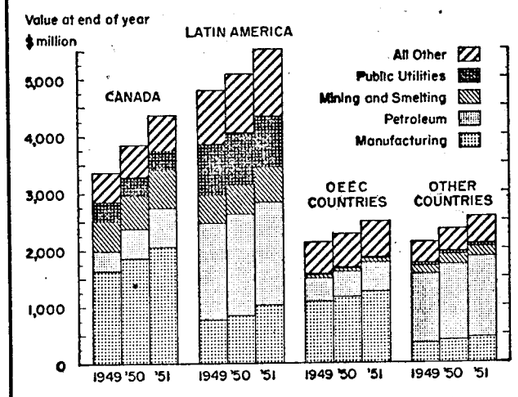
There have recently been encouraging signs from the South that racial prejudice will gradually fade away, even in its homeland, if left to itself. It was probably the unconcealed disapproval of the national leaders of the Episcopal Church which induced that church's seminary in Tennessee to abandon its refusal to admit Negro students. But in North Carolina five Negroes have just been elected to city councils ; in four of the places concerned this had not happened since the " reconstruction " period immediately after the Civil War. Even more striking, in Atlanta, Georgia, a Negro has been chosen for a public administrative office, also for the first time since reconstruction days. Dr Rufus Clement, president of the Negro University in the town, won election to the Board of Education over a white candidate who had held the office for 25 years ; and Dr Clement's majority came from white as well as Negro voters. As he himself said there could be no better evidence that " the white population is ready to try to work constructively with the Negro population."

Investment, not Aid

CLOSING the dollar gap in world trade by increasing American investment abroad is a solution that is arousing more and more interest in Washington as the appropriations for economic aid become less and less. Two different congressional groups have recently dealt with aspects of this problem. The Mutual Security Agency has been advised by a Senate committee not to make any more attempts to promote foreign industrial developments unless specific funds are voted for this purpose. The committee feels, in spite of much evidence to the contrary, that there is a " serious question as to the soundness " of such attempts and points out that the foreign aid programme is now concerned with defence rather than with general economic assistance. This admonition has given added significance to a report by a Foreign Affairs subcommittee of the House, summarising the views held by business and government leaders, who urged that private investment overseas should be encouraged by a series of measures, including the concentration into a single new agency of the government's many activities in connection with such investment.

Both the direction and the amount of American investment abroad at present offer indications of the conditions likely to affect it in the future. An annual figure of $2 billion is the usual assessment of the dollar gap ; when economic aid ends, it may well be larger, but the outflow of private capital from the United States is well under $1 billion a year. Furthermore, it is largely drawn to areas like Canada and Latin America, where the " investment climate " is propitious both to profits and to provision of the raw materials—especially petroleum and metals—that the United States needs. Investment in the countries which have the greatest need for dollars is held back by currency and exchange controls, by tax regulations that favour investment in the western hemisphere, by political and economic instability, and by the fact that there are still ample opportunities for investment within the United States. The House report suggests that private investors might venture farther afield if they received incentives such as government insurance, protection by special treaties, opportunities for joint investment with nationals of the countries concerned, and tax reductions, including amortisation of the cost of overseas factories in five years for tax purposes. Few of these recommendations are new, but little or no practical attention has been devoted to them in Washington recently.

PRIVATE DIRECT INVESTMENTS ABROAD
1949–1951



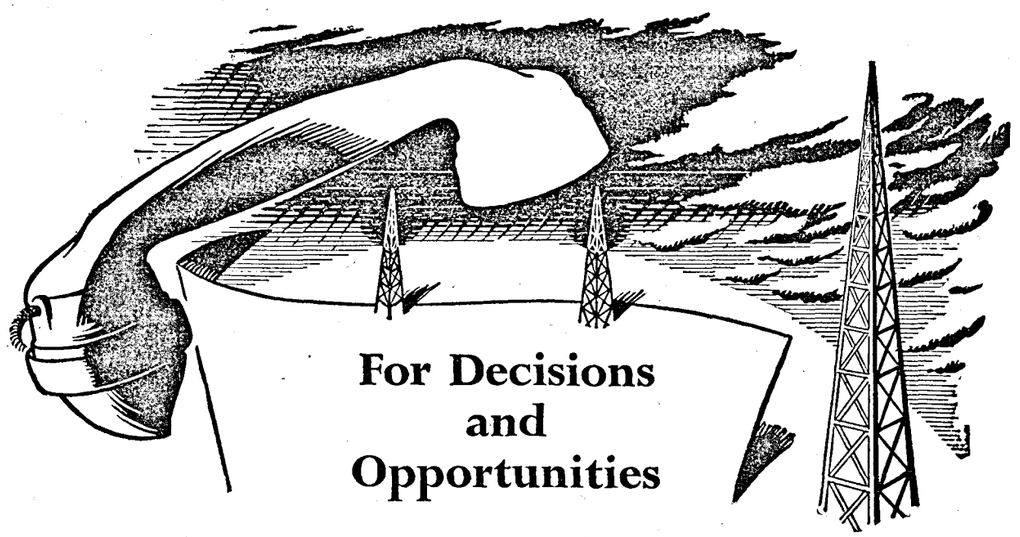
	$ million
Value for all areas, end of 1949	12,418
Net capital movements, 1950	+ 702
Reinvested earnings, 1950	+ 443
Other changes, 1950	— 13
Total increase, 1950	**1,132**
Value for all areas, end of 1950	13,550
Net capital movements, 1951	+ 603
Reinvested earnings, 1951	+ 703
Other changes, 1951	+ 33
Total increase, 1951	**1,339**
Value for all areas, end of 1951	14,889

Source : US Department of Commerce.

SHORTER NOTE

In his broadcast three weeks ago, President Eisenhower announced that a complete revision of the tax laws was being undertaken by the Treasury for presentation to Congress next January. Although no details have been given of the measures under consideration, it is believed they include the possibility of a national sales tax, changes in the rates and structure of personal and corporate income tax, and in the treatment of undistributed profits, increases in surtax exemption and in allowances for depreciation, more liberal recognition of capital losses, and modification of double taxation on profits. It is hoped that it will be possible to put the emphasis on relief for the taxpayer rather than on more revenue for the government.

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SOME FIGURES

Product	Year to 30th June, 1937 Tons	Year to 29th Sept. 1951 Tons	Year to 27th Sept. 1952 Tons
Steel Ingots	1,611,000	2,079,000	2,109,000
Pig Iron	890,000	1,132,000	1,328,000
Coke	761,000	1,221,000	1,476,000

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The World Overseas

Italy's Scylla and Charybdis

FROM OUR SPECIAL CORRESPONDENT

THE Italian people has spent the last few weeks wrestling with its conscience. The failure this week to re-elect Signor De Gasperi with a clear and positive lead over his extremist rivals unfortunately shows that it has not been entirely successful. The appeal of the demagogue, the nationalist and the Communist has been strong enough to prejudice the future of the young republic. The battle, however, is not yet entirely lost. The fact that the elections went off in such quiet good order would do credit to a country far more experienced than Italy in the workings of the parliamentary system. And, despite the rejoicing of Signor De Gasperi's opponents at his relative setback, he has in fact been given another, albeit very grudging, lease of power.

How slender is the margin may be judged from the fact that his central coalition has done something which no one expected. Although just failing to win 50 per cent of the votes and thereby to gain a premium of seats under the recent hotly disputed electoral law, it has nevertheless achieved a tiny absolute majority in the lower chamber : 303 seats out of 590. In the Senate it has, against expectations, done slightly better with 125 out of 237 seats.

No Sense of Urgency

The issue which hung on the nation's decision was the future of democracy in Italy ; it requires at least another decade to throw out firm roots—a decade which, it now seems, may not be granted. If too many votes had fallen away from the centre to either extreme, the least of the dangers this week was that Italy would become another France. Effective government might be paralysed by the failure of parliament to give its confidence to any particular administration. And this, as many Italians have lately been saying, is something that an inherently rich country like France may be able to afford for a time but that a poor one like Italy certainly cannot. As things stand, although it is questionable whether any administration in the new parliament will be able to pass contentious legislation, the situation has partly been saved by a strange quirk of the old electoral law. The chance play of inequality in the size of constituencies has provided the centre bloc with a small *bonus of seats in the chamber ; Signor* De Gasperi's majority of 16 will presumably make it just possible for him to continue in office with essentially the same team. He will not be immediately dependent either on the Monarchists to the right or the Nenni Socialists to the left.

The calm of the last few days in the country has been due in part to the confusion of the electorate. The number of parties rendered it difficult for many people to make up their minds how to vote. There was of course the disciplined core of Communists and the increasingly self-confident neo-Fascist right wing. But there was not, as there had been in 1948, a strong sense of the urgent need to block the Communist drive for power. Signor Togliatti might be able to address, as he did, the largest of the eve of election crowds in the great Piazza di Porta San Giovanni, with flood lights directed in Nazi fashion on the row of alternate Russian and Italian flags fluttering in the warm night breeze. Neither he nor anyone else, however, really thought that even the combined Communist and Socialist Left could emerge as the largest group in the new parliament. And this very fact made the election a trifle dull—perhaps too dull.

Dullness is sometimes a feature, however, both of economic prosperity and practical democracy. Part of the government's difficulty in appealing to the people sprang from its own achievement in creating a greater sense of *economic stability and moderate political progress than at* any time since the war. This, indeed, was the first election for a generation in which Italians had felt free to sit back and examine each party dispassionately before casting their votes. It is true that on any such rational approach the government's centre bloc, consisting of the Christian Democrats, the right-wing Socialists, the Liberals and Republicans, should have won the support of the great majority of the electors ; for even if they disliked the taint of clericalism about Christian Democracy or felt that it merely represented an ideological umbrella covering widely divergent political opinions, they could have voted for one of the other three smaller parties. But, for one thing, the Italians are a strongly emotional people, and as they recover their poise their support goes out increasingly to those who appeal to such fundamental instincts as patriotism and class consciousness. For another, the complexity of the electoral machinery undoubtedly prevented some of the less intelligent voters from grasping how to express a coherent choice even if they had made it ; voting was primarily by party symbol and there were no less than eighteen different symbols—ivy leaves, shields, rising suns and so forth—from which to choose when marking the ballot paper. This *accounts in part for the huge figure of 1,300,000 votes so* far provisionally ruled as "spoiled."

The excitement in the closing stages of the vote counting lay in the hair's-breadth failure of Signor De Gasperi's supporters to win the 50 per cent of the votes which would bring the new electoral law into operation. This gives a premium of some 80 seats, and therefore a clear working majority in the chamber, to any bloc securing more than half the total votes. In a poll of 27 million, the centre has missed this premium by a mere 57,000—a handful of votes which has stood between Italy and another five years of good government. There is still just a chance, however, that the situation will be reversed; the "spoiled" ballot papers are being re-examined and according to a government statement, they are to some extent the result of Communist instructions to their followers among the electoral officials to cavil at everything possible.

Success of the Communists

The main lesson of the voting is the striking fact that the extreme left has added 1½ million to the 8 million votes it secured in 1948, while the little parties of the centre, other than the Christian Democrats, have lost a million; the Christian Democrat vote itself has held up surprisingly well. The Communist increase must admittedly be read in the light of an electorate some 2 million larger than last time, but the hope that a heavy poll would favour the centre has proved unfounded; in spite of the incredible storms and torrential rain all over Italy, the poll was even heavier than in 1948.

This resurgence in Communist strength, after all that happened in Italy, is an ugly thing, particularly in view of the virtual eclipse of the non-confessional centre parties. The left centre, which for a moment after the war seemed to dominate the country under the premiership of Signor Parri, has almost vanished from the scene; the right-wing Socialists (*Saragattiani*) polled no more than a third of the Nenni vote and the Republican party has come out smaller than ever. Even the much heralded recovery of the Liberals failed to materialise. Ominous as is the rise of the extreme right, its 3½ million votes, won largely from the Christian Democrats, can hardly be considered a great success even though it trebles the 1948 figures; surprisingly the Monarchists have turned out stronger than the Fascists (MSI). The best that can be said is that the Christian Democrats taken alone still remain by far the largest single party, with well over a million votes more than the Communists and their fellow-travelling Socialists combined. Although Signor Nenni, standing separately this time from the Communists, made gains which re-established his party's national position, it was perhaps too soon to forget that he himself was among those who mounted guard over Stalin's bier.

The Truce Through Chinese Eyes

NOW that the truce in Korea at last appears to be imminent, the question of China's attitude towards the forthcoming political conference claims attention. As in any totalitarian state, a veil of secrecy surrounds the purposes and intentions of the government, yet certain inferences may be drawn from the press publicity by which the government seeks to mould public opinion; although this publicity is propaganda and not self-revelation, it is meant to prepare the Chinese people for the courses to be pursued, and the scale of reticence and emphasis on different themes is not without significance.

Over the future of Korea there has been a marked absence of commitment. Whether Korea is to be unified, and if so on what terms, or whether the two Korean states are to remain as separate entities does not appear to be a matter on which the Chinese People's Government wishes the public to expect or to desire strongly any particular outcome. This implies that the government is keeping its hands free for the conference to negotiate whatever settlement of the Korean question may seem attainable and expedient at the conference. This is quite in accord with the general attitude which has been cultivated in China throughout the war. Although it has always been held that the North Korean government alone represents the Korean people and that the South Korean regime is merely a puppet administration of the American imperialists, the emphasis for the Chinese public has been, not on the liberation of Korea, but on the defence of the approaches to China's own frontiers.

This latter aim has in fact been accomplished by the military victory in November, 1950, and by the subsequent maintenance of a fighting front approximately half-way down the Korean peninsula. It is a long time since there has been any talk of driving the Allies into the sea, and any settlement ensuring that there would be neither a hostile nor an unreliably neutral state on the Yalu would probably be regarded in China as a successful outcome to the war. Unless the unification of Korea can be achieved on terms which would guarantee Communist ascendancy, this would imply preserving North Korea as it is and perpetuating the division of the country. The links between China and North Korea have been continually strengthened and are by no means confined to the military partnership; much publicity is given in the Chinese press to fraternal gatherings of Chinese and North Korean soldiers and to the recent tour of the Chinese Peace Committee, which gave performances of "singing, dancing, acrobatics, conjuring and Peking opera" in Pyongyang. In North Korea, at any rate, it seems that this kind of thing is intended to be permanent.

America's "Satellites" Hold Back

Apart from the question of Korea itself, the main theme recently presented to the Chinese people has been the moral and political isolation of America. In their home front publicity the Chinese Communists have always avoided speaking of United Nations forces or of a United Nations command in Korea; the enemy has always been represented as simply American imperialism with additional contingents from "satellite" countries which have unwillingly taken part in the war because of their economic dependence on America. This contrast between American policy and the interests of America's allies has now been carried to the point at which the Chinese people is shown a picture of America being held back from further aggression by the refusal of its allies to co-operate. Thus a Peking radio commentary declared on May 24th:

> The American warmongers are opposed not only by the peace-loving people of the world, but also by their own allies.... The British bourgeois press assailed the American policy of arbitrary actions. India, Canada and many other capitalistic countries from South East Asia to Northern Europe also expressed their dissatisfaction in varying degree over the American policy of perpetuating the Korean war.... This situation has placed the warlike USA, which is bent on aggression, in a state of dismay.

The truce is represented as having been held up for so long, not by any obstruction on the Communist side, but by the desire of the United States to prolong the war, which has now been overcome by the revolt of America's allies, who refuse to follow Washington's lead any longer. Credit is also given to the "people's peace movement in the capitalist countries," which, inspired by the example set by the "world camp of peace and democracy" [i.e. the Soviet bloc] has compelled the "ruling cliques in the capitalist nations" to heed the demands of the masses and agree to an armistice in Korea. All this emphasis on dissensions among the enemy may be confidence-promoting propaganda to the Chinese people rather than a factor affecting policy, but it suggests that Chinese diplomacy at the conference may aim to exploit to the utmost American-European differences on Far Eastern policy and at magnifying them by suitable publicity.

Future of Communist Prisoners

On one point at least the Chinese Communists appear to have nailed their colours to the mast. This is the question of prisoners refusing repatriation, which, although now overcome as an obstacle to the truce, remains as a hurdle for the diplomats when they assemble. The Chinese have now agreed to a procedure which the Allies think sufficient to ensure that no prisoners will be sent back against their will. But the Chinese official contention, endlessly reiterated and emphasised in their internal propaganda, is that there are no prisoners who do not want to return, that it has all been a matter of American trickery and coercion. Thus a Peking broadcast late in May told China:

> Common sense and all evidence showed that all prisoners of war would want to return home to their families if the influence and coercion of the detaining side were removed and proper explanations made. ... Sick and wounded Korean and Chinese prisoners of war who recently returned were living witnesses of the untold terror and force used to make them afraid to return home.

After public attention has been so much concentrated on this question, and Chinese propaganda has so confidently claimed that no prisoners at all will refuse to return when "explanations" have been given them, it will hardly be possible to conceal it from the Chinese if in the end there is still a considerable number refusing repatriation. The only way to avert the loss of prestige which such an outcome would involve would be for Peking to claim that the armistice terms have not been properly carried out and that coercion is still somehow being applied to the prisoners. The armistice provides that after the five-power neutral commission has been supervising "explanations" for two months, the disposal of any prisoners who still refuse to go back will be referred to the political conference, and that if the latter does not decide within a month, the prisoners are to go free. China cannot in the end prevent the release of the prisoners, but if it becomes clear that the blandishments before the five-power commission are not bringing them all home, Peking may well revive the dispute at the political conference.

Drastic Medicine for the Czech Economy

THE recent currency reform and abolition of rationing in Czechoslovakia was only the latest and clearest sign of the difficulties brought in its wake by the rapid industrialisation of Eastern Europe. The heavy rate of investment, the emphasis on basic industry to the detriment of consumer goods, the time-lag in agricultural production—all these exercise a strong inflationary pressure on the economies of these countries. Yet the planners cannot allow this to affect directly the structure of production, since the rapid tempo of industrialisation is the main objective of their plans. Production of consumer goods is not allowed to increase in response to the pulls of demand. On the margin, however, in the so-called free market, prices of unrationed foodstuffs and of the products of light industry soar. A stage is reached when the scarcity or dearness of these goods affects the performance of industrial workers and threatens to jeopardise the fulfilment of the plans. It is then that the government steps in to tackle radically the problem of inflation.

In Czechoslovakia the illness was particularly grave and the remedy, if belated, exceptionally drastic. The government has proceeded, not to increase the supply of consumer goods, but to cut substantially the quantity of money chasing after them. With a stroke of the pen it has slashed the value of the money hoarded, wiped out the bulk of the population's savings, written off all state bonds issued after 1945 and annulled all blocked deposits.

How Planners Discriminate

These were the main results of the currency reform. The Czechoslovak crown is now valued at 0.1234 grams of gold or 1.8 crowns to the rouble, compared with the previous rate of 12 crowns to the rouble before the reform. This "revaluation," however, is not likely to have any appreciable effect on Czechoslovakia's trade relations. Neither its trade with the Soviet bloc—now accounting for three-quarters of Czechoslovakia's turnover—nor its exchanges with the West are based on the nominal value of the crown. The reform is aimed at the home market and the important results sketched above are to be obtained by the application of differentiated rates for the exchange of the old crown for the new. While wages, allowances, prices, taxes and other levies are in principle converted at the rate of 5 old crowns for one new, the bulk of the existing currency is being exchanged at the rate of 50 to 1. This is the rate applied to all the hoarded cash with the exception of the first 300 crowns held by each member of the working class. For deposits in state Savings Banks the terms of exchange are less unfavourable and there are more gradations between the ratio of 5 to 1 for the first 5,000 crowns and of 50 to 1 for amounts over 50,000 crowns. The elaborate system of discrimination at the disposal of the planners is well illustrated by the application of various rates of exchange for different kinds of collective farms according to their degree of integration.

The "remnants of the bourgeoisie and kulaks" who deposited only a very small proportion of their savings in the banks are obviously worst hit by the reform. The simultaneous abolition of rationing, on the other hand, will probably hurt the workers most of all, since they were the main

beneficiaries of the rationing system. It is cryptically stated that the new price level will be one-third lower than the pre-reform one. This presumably means lower than the level prevailing hitherto on the free market. But hitherto the workers bought a large part of their essentials with ration cards at incomparably lower prices. The small increase in wages which they are now offered seems insufficient to offset the rise in prices and it looks as if on balance the workers have had their real wages substantially cut. They may find it easier to get the goods on the market, but they will have to work harder to obtain the same real income.

Turning the Screw on the Workers

To increase all-round productivity is indeed the avowed aim of the whole reform. Rationing could not be abolished as long as there was much surplus money about, but once this has been mopped up the government will be able to apply a system of differential payments on the Soviet model. Under rationing, each worker in a given category was receiving the same benefits of cheaper prices. This—the Czech premier complained—has led to a levelling of wages and smacked of "egalitarianism." Now, with uniform prices, piece rates and wage differentials will be used as incentives to higher production. At the same time it is hoped that small peasants unable to stand the strain will be forced to join collective farms, while the kulaks—deprived of their savings—will be more dependent on the market.

Czechoslovak spokesmen, faced with serious popular discontent, try to reassure the public with the example of the Soviet currency reform of 1947, which was followed by a steady improvement of the standard of life. This was due to the fact that the Russians allowed a certain proportion of the rising national income to be used for raising the appallingly low postwar levels of consumption. This is indeed the crucial issue. No financial reform, however elaborate, drastic and risky, can by itself solve the problem of consumption. Even if productivity were to increase as a result there is no guarantee that the benefits will be passed on to the consumers. Judging by the precedent of other East European countries which underwent a similar process the increment is likely to be ploughed back as soon as it is produced. In such an event, the Czech planners may soon find themselves again grappling with inflationary forces and no doctor in his senses would apply a second dose of such potent medicine to an unwilling patient. Eastern Europe in general, and Czechoslovakia in particular, are in need of the new remedy now promised by Malenkov to the Russians—namely, a better satisfaction of the needs of the consumer.

Danish Dilemmas

AT a time such as this, it is hardly surprising that most reports of the Danish constitutional reform have stressed the fact that it provides for female succession to the throne, and makes the young Princess Margrethe heiress-presumptive in place of King Frederik's brother. In fact, however, the reform has more far-reaching implications. These are due less to its content than to the circumstances of its execution. The reform, which embraces the abolition of the upper house of parliament, the incorporation of Greenland into the kingdom, and the lowering of the voting age from 25 to 23, had the support of all the major political parties, and last week its main provisions were endorsed in a national referendum by 1,181,173 votes to 318,075. But under Danish law a reform of this kind necessitates not only a referendum but also two general elections. The first was held on April 21st, but the second will not take place before the autumn; until then the political situation will probably remain precarious. Denmark's role as a partner in the Atlantic Pact, while not directly affected, is involved in these uncertainties, and its allies can hardly afford to ignore them.

Paradoxically, the April elections strengthened the forces that support the Atlantic Pact, but at the same time placed its critics in a key position. The right-wing coalition government lost no seats, but the chief opposition party, the Social Democrats, gained two and thus came to hold 61 seats to the government's 59. The Prime Minister, Hr Eriksen, offered the resignation of his government, but withdrew it on May 2nd after the opposition parties had agreed that he should remain in office until after the referendum. The smaller opposition parties, the Radicals and the "single-tax" *Retsforbund*, went further and indicated that they would support the government even after that. The Social Democrats declared that this was unacceptable, and moved a vote of no confidence, which the government survived thanks to Radical and *Retsforbund* support. Last week Hr Eriksen announced that the government proposed that the next elections should be held on September 22nd, and that until then it would seek to avoid controversy. As a result, the Social Democrats now feel robbed of the fruits of victory; and the Radicals, who are almost as critical of the Atlantic alliance as the Communists, are in a position to demand terms for their support of the government. If they should succeed in securing the removal of the Foreign Minister, Hr Kraft, they would have struck a real blow at Danish partnership in Nato.

New Zealand's Criticisms of Britain

FROM OUR WELLINGTON CORRESPONDENT

THERE is no doubt that the very great majority of New Zealanders of all political persuasions—except possibly the very small number of New Zealand Communists—would agree with Mr Holland when he wrote in a Coronation message for a popular newspaper; "Whatever successes and adversities may lie ahead, Britain will always be able to depend upon the friendship and support of New Zealand." Labour leaders, the late Mr Fraser, and his successor, Mr Walter Nash, have several times expressed the same conviction.

Nevertheless, both Mr Holland and Mr Nash would probably agree that the relationships between New Zealand and the mother country require rather more careful consideration than repeated assertions of loyalty to the Monarchy and to British traditions. New Zealand, at a more sedate pace than Australia, is marching towards adult nationhood and it is conscious of the fact. Complacent assumptions, either in Britain or New Zealand, that the Dominion will automatically follow British leadership and support British policies are dangerous and many loyal New Zealanders would like to see this danger more clearly recognised in Whitehall. To put it bluntly, New Zealand is extremely loyal and extremely pro-British, but it does not like this to be taken for granted.

There is, for instance, a strong conviction in New Zealand that British political leaders could pay it more personal attention. Their visits have been rare and hurried and it is safe to say that there are very few British politicians in either camp who have any first-hand knowledge of New Zealand conditions. Many New Zealanders were unfavourably impressed when the Minister of Food, Major Lloyd George, responded to an invitation to visit the Dominion by saying that he was too busy and sent a Food Ministry delegation instead. And they remember that the only Secretary of State for Commonwealth Relations who has visited New Zealand since the war was Mr Patrick Gordon Walker.

Well Worth a Visit

The same criticism could be applied to leaders of British industry. Last year there was strong criticism in the New Zealand House of Representatives of the shoddy standards of some British imported goods. The complaints were well documented and were not presented in any factious spirit. Behind the scenes some of the members concerned suggested that leaders of the affected industries or possibly the President of the Federation of British Industries, might investigate the complaints on the spot. They are well aware that British industrial leaders keep closely in touch with Continental and North American markets. They recognise that New Zealand is comparatively remote, but it is still one of Britain's most important markets, and they would like to see some evidence that British industrial leaders are conscious of the fact. There are exceptions, of course, and leading British industrialists, such as Viscount Nuffield, who have made a practice of paying regular visits to New Zealand, have found that the policy has paid handsomely both in profits and goodwill.

British industrialists should recognise that their postwar trade with New Zealand has been fortuitously assisted by the dollar shortage and that New Zealand's restrictions on hard currency imports have virtually protected the market for the United Kingdom. If these restrictions were lifted, they might well be surprised and depressed at the move there would be towards the United States. Since the present major objective of the Commonwealth is to remove these restrictions, British leaders should give some thought to maintaining their goodwill in the Dominion.

Although most New Zealand farmers recognise the great value of their guaranteed British markets, they are far from satisfied with some of the deals they have had from the British Ministry of Food. They fail to see why New Zealand's ability to produce butter and meat more cheaply than Britain's foreign food suppliers should be used as an excuse to pay it lower prices than Denmark and Argentina. They are also inclined to point out that the postwar prices of British imported goods show no differentiation in favour of New Zealand—on the contrary, Mr Holland himself has asserted that some British manufacturers load their export prices to New Zealand in order to cut their prices at home and in more difficult markets. If this is not checked, sympathy and support for Britain will deteriorate.

There is also some suppressed irritation in New Zealand over the assumption in certain British circles that New Zealand necessarily agrees with the British preoccupation with Middle East defence. There is a growing feeling that New Zealand's position as a Pacific country is not adequately recognised in London. New Zealanders as a whole are not prepared to go as far as are Australians in emphasising this, but the belief that it should be more clearly recognised is there. Though it came as a surprise to the New Zealand public to learn that the Anzus pact excluded the United Kingdom, this was counterbalanced to some extent by the opinion that the realities force New Zealand to look more to the United States for protection in the Pacific and that New Zealand, like Australia, must be prepared to accept the transfer of obligations which this entails.

Tactless Immigrants

On the whole, the American "invasion" of New Zealand, when it was used as a base for Pacific operations during the war, has left little lasting impression. It did, however, destroy a number of New Zealand prejudices about Americans, just as it exacerbated some antipathies. Most New Zealanders, however, found that their American guests spoke very much the same language as themselves—some of them will assert very roundly that they found more in common with the Americans than they do with some British tourists and immigrants. On the whole New Zealanders are much more favourably disposed towards immigration from Britain than from anywhere else, but a section of the British immigrants arriving in this country arouse hostility and resentment. They are the type of people who spend most of their time in criticising the manners and customs of New Zealanders and in comparing them invidiously with those in Britain. They are a small minority, but they do not help.

There is no reason why these feelings should cause any unease. If it is recognised that they exist, and why they exist, they can contribute a very great deal to the consolidation of general Anglo-American relations. It would assist relations between the United Kingdom and New Zealand if some of the irritations, real and imagined, were brought to the surface and given an airing instead of being smothered, as they so often are, beneath the cottonwool of laudatory speeches. It would help Whitehall to understand New Zealand attitudes and New Zealand problems if more could be done to encourage the appointment of New Zealanders to posts in the Commonwealth Relations service. It would help them even more if British political, industrial and scientific leaders would do something to obtain first-hand knowledge of the Dominion. At the moment the pilgrimage of New Zealanders to Britain is too much of a one-way traffic.

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The Rumanian "Amnesty"

BY A CORRESPONDENT

THE proclamation of an amnesty in the Soviet Union shortly after the death of Stalin was quickly followed by a similar announcement in Rumania and later in Czechoslovakia. These moves were eagerly welcomed in the West as further indications of a change of attitude in the Communist world.

It would appear, however, that the Rumanian decree was not an amnesty at all, but a "pardon for certain sentences." From the text, dated April 4th, it was not possible to obtain a precise appreciation of the scope of the decree. The "crimes and offences" to be pardoned were defined only by reference to "Annexes I, II and III," which, it was stated, "are published in the *Official Bulletin.*" Since this Bulletin is a highly confidential document, those most closely concerned are not in a position to know whether or not a pardon is applicable in their case, and consequently are obliged to rely on the goodwill of the authorities. Moreover, Article 10 of the decree precisely states that it will be "applied by the president of the tribunal that passed the sentences concerned," and if he is unable to come to a decision he is to "send the dossier to the tribunal, which will decide the case." Finally, "appeals by the Prosecutor and the interested parties against the decisions of the president lie within the competence of the same tribunal."

With the text of the Annexes at hand, it is clear that the decree is not the far-reaching act of clemency which it was made out to be. It grants three different degrees of pardon: a total pardon, a conditional one, and a reduction of sentence. The total pardon is accorded to the cases listed in Annexe I, under sixteen headings, which all concern offences against the common law, such as assault, threats, swearing, petty thefts and other minor violations of private property rights. All charges listed in Annexe I which are pending at the time of proclamation of the decree are to be dropped. A total pardon is also granted to expectant mothers, mothers with children under seven years of age, and all people over sixty, even if they are in prison for offences listed under Annexes II and III.

Conditional Pardons

The conditional pardon, that is, release for a probationary period of three years, is extended to all crimes listed under Annexe III, and to those under Annexe II which involve a sentence of up to two years. If during the probationary period those concerned are again punished with more than six months' imprisonment, they will then have to serve their full sentence. The offences listed under Annexe III include theft of communal property, negligence at work, and infractions of laws relating to agriculture and forestry and the delivery or sale of agricultural products. Annexe II contains twenty-two categories of offences against the penal code, such as negligence at work, refusal of obligatory service, abortion, larceny and robbery; nine categories dealing with infractions of special laws, such as the use of agricultural credits (under 2,500 lei) for other purposes, evasion of taxes, and individual and collective violation of the labour contract; and lastly, the large and special category of offences concerning economic sabotage.

The interesting point about Annexe II, however, is not the great number of prisoners affected by it, but the fact that only a small number of those charged with various kinds of "economic sabotage" have been punished with less than two years' imprisonment—and can thereby benefit from the conditional pardon. Most of these prisoners—many of whom are serving eight years and over—should, however, get their sentences reduced by a little over one half for sentences of 4 years and more; even so, in Western eyes they will still seem excessive.

Miscarriages of Justice Admitted

The comments of the Rumanian press on the decree are illuminating. *Scanteia*, the Workers' (i.e. Communist) Party paper wrote on April 8th that the decree will pardon a certain number of minor offences.

> At the same time, the decree is intended to rectify certain errors, excesses, injustices and abuses committed in some places by elements of the local authorities and the judicial apparatus, which in applying certain laws have interpreted them in an unjust and partial manner.

Both *Scanteia* and *Romania Libera* (the organ of the People's Councils) in an article on the same day, admitted that some of these representatives of the new order have shown a tendency to resort to penal or administrative measures "instead of resolving difficulties by political and educational work." The result has often been "imprisonment for minor infractions," and both papers went on to state that

> it must be emphasised that there have been cases where local bodies have interfered in judicial matters and have brought pressure to bear on some responsible elements of the judicial apparatus, amounting to a violation of the Constitution of the Rumanian People's Republic which provides that "the judges are independent and responsible only to the law."

But how many judges will be prepared to admit that they have interpreted the law "in an unjust and partial manner" or that they have acted under "pressure" from outside? And how many will dare to "rectify" their "errors"? Indeed, what is to be thought of a régime which admits that innocent men and women have been imprisoned, proposes to pardon rather than amnesty them, and then for the final decision in their case leaves them at the mercy of the very person who sent them to prison?

But perhaps the explanation, as information from a usually reliable source suggests, is that the decree was never meant to be put into practice at all. Indeed, the latest reports concerning its application show that there is little or no connection between law and practice. For instance, two categories of prisoners falling within the provisions of the decree have been excluded from its benefits: all the peasants considered as kulaks and all those workers who were members of the former Social Democratic Party have been excluded as "dangerous to the security of the state." And the manner in which it is proposed to liberate peasants not considered kulaks shows up the Rumanian "amnesty" for what it is worth, since only those who sign a declaration of their willingness "voluntarily" to join a kolhoz are to be released from prisons and forced labour camps.

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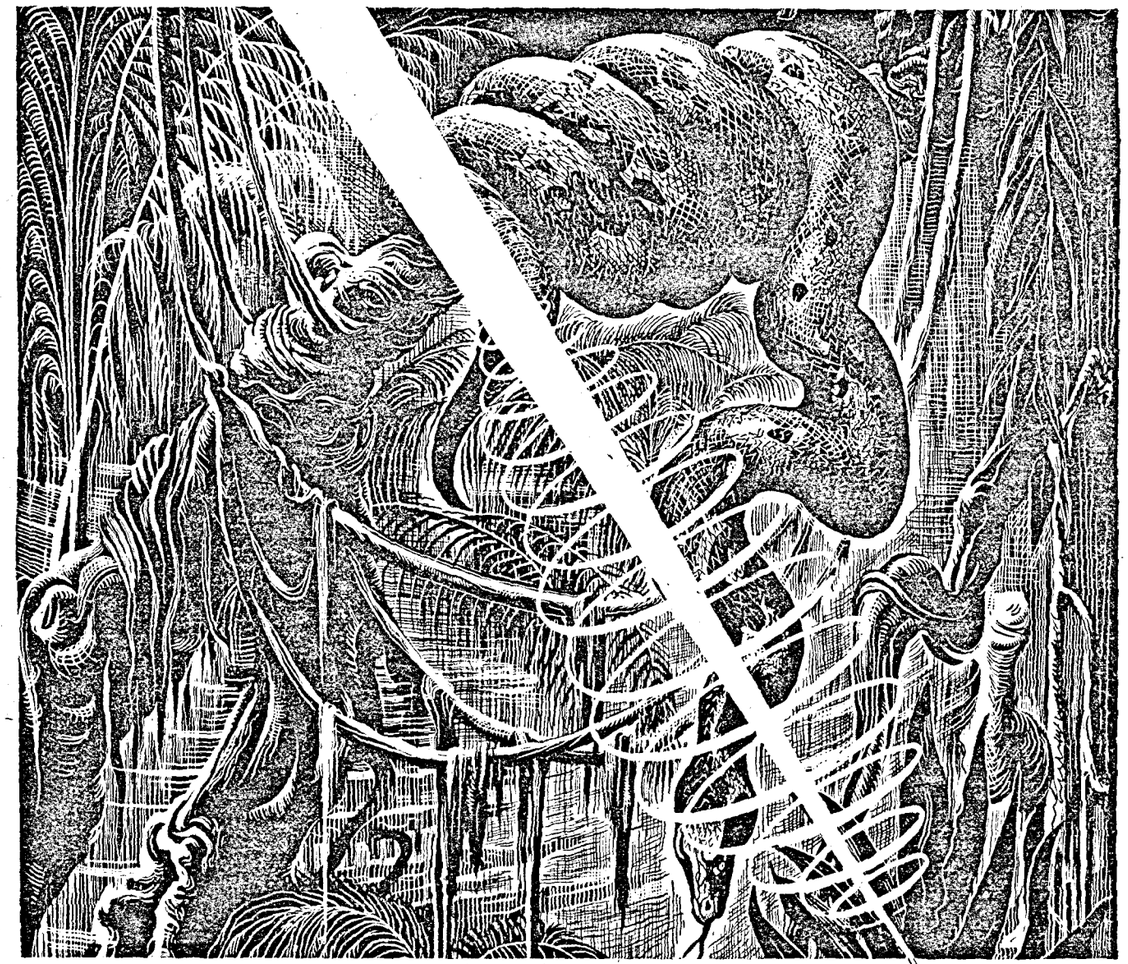


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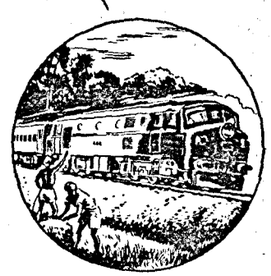
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THE BUSINESS WORLD

Television Space for Sale

THE somewhat heated controversy about commercial television that has erupted in the correspondence columns of the press in the past fortnight is a soufflé of high principles and politics—given extra flavour by wider misgivings about the American television stations' handling of the Coronation broadcasts. The Postmaster-General had been expected to make a statement this week on the technical aspects of the problem, notably upon the number of channels available for commercial stations, but apparently decided to defer it for a few days until tempers are cooler. The coming statement will presumably be based on the technical report prepared by the Television Advisory Committee, which was given the task of determining how many programmes—in other words, the number of "competitive" television services—that the British air could accommodate at any one time. The committee's report has not yet been published; but certain of its technical conclusions seem fairly clear.

In a strictly technical sense, there are probably 80 to 90 different channels that could be allotted to competitive television stations, but some of these are on frequencies that are unlikely to be attractive, for commercial reasons. It seems improbable, therefore, that enough workable channels could be found to provide anything in the nature of a national network for each of the dozen or more organisations that have applied for licences. What seems more likely is that the government will be in a position to offer each of them a partial network; the degree of over-lapping and if so of inter-station competition, remains to be decided. Opinion in government circles is believed to favour the building up of separate regional, rather than national, networks in commercial television, a policy that may not commend itself to advertisers accustomed to organising their sales campaigns on a national scale. The publication of the Television Advisory Committee's report may well prove, therefore, to be the signal for a spate of negotiations between the groups that have applied for commercial television licences.

Only two of these applicants have so far come out in the open, the *Daily Mirror* group and the Associated Broadcasting Development Company Limited; the latter might be said to represent a co-operative venture by a portion of the radio industry. But all the big newspapers, with the exception of *The Times* and the *Manchester Guardian*, and certain magazine groups are believed to have applied. These applications do not necessarily denote any great enthusiasm in the newspaper world for television as an advertising medium, but newspaper proprietors realise that television is likely to channel off, at least temporarily, some of the £50 million odd spent annually by advertisers in London and provincial papers, and they have taken the view that the wisest way of insuring against this loss would be to get in on the ground floor of the new commercial services. Only one of these applicants, the Associated Broadcasting Development Company, has publicly defined its attitude to the technical questions concerned; and it is only this group, too, that has given any indication of the principles upon which it would plan to run its television service. Its readiness to explain, indeed, has been a piece of shrewd salesmanship that may succeed in cutting the ground from under those competitors and advertisers who disapprove of the policy to which it is committed.

The Associated group is a private company, set up last year with a nominal capital of £100; the list of its directors gives a fair impression of its backing. This includes Sir Alexander Aikman, chairman of Electric

and Musical Industries Ltd, one of the major producers of transmission equipment. Another director is Mr C. O. Stanley, chairman of Pye Radio, a company which on most other occasions engages in open and bitter competition with EMI. In recent years, Pye has come to the forefront as possibly this country's leading producer of television studio equipment, in which it has a considerable export business to the United States as well as to Europe. A third director is Sir Robert Renwick, who is among other things President of the Radio and Electronic Component Manufacturers Federation and of the Television Society. These three represent technical support from established radio manufacturers, each of which has an interest in the marketing of sets to receive the programmes as well as the transmission and studio equipment necessary to send them out. On the entertainment side, the company includes Sir Alexander Korda, who can arrange for spare film studio space, talent and technicians to be placed at the company's disposal. Also on the board is Mr Norman Collins, one-time controller of the BBC television services. Until American experts are imported, Mr Collins can boast of being the only person in this country, outside the BBC, who has first-hand experience of running a television service (Mr Maurice Gorham being in Dublin). Financial weight is provided by the presence of Viscount Duncannon from the bankers, Robert Benson, Lonsdale and Co.

This company has applied for a licence to set up a television network of either medium or low-powered transmitters that could cover roughly 65 per cent of the country's population (the BBC's services will shortly cover 80 per cent of the country). The capital cost of such a network would probably not exceed £4 to £5 million. But since, if a licence is eventually granted, the company seems unlikely to be permitted a network so extensive as this, the sum eventually needed may be smaller.

The *Daily Mirror* has said nothing of its plans beyond confirming that the company has applied for a licence and "is in active communication with various people who may participate with us in this new development." Alone among British newspapers, the *Daily Mirror* has some previous experience of commercial broadcasting. It has a considerable interest in one of the Australian stations, which will almost certainly develop commercial television as well when transmission begins in that country.

The commercial policy upon which the associated company hopes to operate departs from the usual "American" pattern of commercial broadcasting in one important respect. The company has said that it intends not only to operate the transmitters, but also to provide the programmes for them. It intends to sell time for advertising announcements between, and possibly in the course of, the individual programmes. Under this system advertisers would not be required (or even allowed ?) to provide their own programmes, as they are accustomed to do in other countries. Once they had agreed with the television company over the timing of their own televised advertisement the advertisers would have no control over the programmes—though presumably the television fare the station planned to offer would be a part of the bargain.

This method of operation would have some resemblance to the principles of ordinary newspaper publishing, applied to the sale of space on the air. The advertiser would in the first instance receive a guarantee that the programme carrying his commercials was within range of a given number of television receivers. Later, obviously, some form of viewer research organisation could provide periods and programmes with a popularity rating somewhat comparable to the assurance given to a newspaper advertiser about the paper's circulation, and the advertising rates would be fixed on this basis.

A formula of this kind might be politically more acceptable in principle here than the American type of commercial station, that would simply sell time and technical services, leaving the responsibility for advertising programmes, and the type of advertising that each carries, to the sponsors ; though in practice, and to the viewer, the distinction might not be so evident. This formula has recently been endorsed by two advertising societies, the Incorporated Society of British Advertisers and the Institute of Incorporated Practitioners in Advertising, in a memorandum to the Postmaster-General. But support from this quarter for such a moderated version of commercial television may be influenced as much by economic considerations as by the exalted argument about the cultural heritage of the BBC that has figured largely in recent discussion (and might well surprise the devotees of that service's lighter programmes). Only a handful of British advertising agencies have had any experience of commercial broadcasting, and in competing for business all others would find themselves at an acute disadvantage if they had to provide television programmes.

The proposal is less attractive to those companies, and especially to some of the bigger advertising agencies, who do not want to leave the responsibility for attracting audiences to the transmitting station, and who want to integrate their advertising message with the programme—and perhaps the product with the television personality—in a way that may not be possible when they neither provide nor control the programme. Believing that the power of television as an advertising medium would be greatly weakened by such a "half way" system, these bodies constitute potential support for any commercial television company prepared to set up a station on the American—or Australian—pattern.

The capital cost of setting up a transmission network, and the heavy annual expense of running programmes good enough to attract a sufficient audience to make advertising pay, may together discourage many of those who have applied for commercial licences. The British advertising agencies, in their memorandum to the Postmaster-General, mentioned that the BBC spent more

than £2 million in 1952 on its television services, half of it on the programmes themselves. This year, according to the report, BBC television licence revenue is likely to reach £3 million, and if the present 2,202,000 licences in existence have risen to 3 million by the end of the year, the BBC will have a potential television licence revenue of £5 million. This, of course, overlooks the fact that the BBC is free to divide its combined licence revenue (now £13 million) as it chooses. It now spends probably a fifth of its revenue on television. The advertising agencies hazarded the guess that a commercial station, to attract audiences away from the BBC, would have to spend more than this on its programmes, and suggested a figure of between £6 and £8 million a year. Press advertising is at present running at more than £50 million a year. The agencies estimated that the amount of money that might be diverted to commercial television services, as the audiences were built up, would be between £5 and £10 million a year. This sum—on their showing—might provide barely sufficient income for one large-scale commercial network.

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These estimates may at once underestimate the revenue that might be available, and over-estimate the costs of programmes. Certain types of television programmes are extremely costly to put on, and the existence of alternative employers may push up salaries and fees. But other types of programme are not costly, whilst the rapid development of films specially tailored for television and of the international distribution of recorded programmes, of which the Coronation broadcasts were a most successful example, suggest that annual programme costs could be pegged at a reasonable levy. A commercial station may also be able to avoid the heavy overheads that beset the BBC. Nor does it seem likely that newspaper and magazine groups would have taken serious steps to enter upon commercial television if they, too, expect a sum no higher than £5 to £10 million to be liable to go to the new television stations from the total advertising budget.

There is likewise great uncertainty about the number of families who will be prepared to adapt their receivers so that they can tune into the new transmitters and provide the potential audience to attract advertisers. All of the two million or so receivers sold in Britain since the war are one-channel sets; the cost of adapting them ought not to exceed £5-£10 each. This is small compared with the initial cost of the receiver, but nevertheless high to the many working-class television owners who find difficulty in paying for the cost of valve and cathode tube replacements. If the commercial programmes are of high enough quality at the outset, this extra outlay is likely to be made. Some such vicious circle often exists at the beginning of a commercial venture ; but ways to break it are nearly always found.

If the government can offer each licence applicant only an incomplete and regional network, the next move may seem to be towards some form of collaboration among them. The liabilities incurred in financing a service and its programme resources may be so high as to deter at least some of the newspapers from pressing ahead with applications to set up their own separate stations—if, indeed, all these applications were serious ones. The difficulty is, however, for so competitive an industry, with its national and regional rivalries, to find some way of working together. One or more of the newspapers may eventually join up with Associated Broadcasting Development group. Certain of the London papers are likely to maintain their traditional independence in this new medium, while a number of regional groupings may emerge from the fevered negotiations now in progress.

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The delay in publishing the Television Advisory Committee's report, the early appearance of which was intended to give the receiver manufacturers advance notice of the number of channels for which they would need to design their sets, may have upset the government's time-table and shortened the time left for discussion. A statement crystallising the government's views on commercial television, and outlining the type of control it favours, seems now likely to be produced in a few days' time, and will be followed by a White Paper laying down the conditions under which licences will be granted. These are likely to be stringent ; and if they include a proviso that a minimum number of programme hours must be provided by the licensee, the stimulus to amalgamate among applicants unwilling to take large risks alone may become even greater.

If the scheme is approved by the summer or early autumn, transmitters working on very high frequencies could be operating within six months of the granting of licences ; those for ultra-high frequencies might take six months longer to complete. It is therefore reasonable to reckon that the first of the new transmitters might be working within twelve to eighteen months from now. The first company in the field will have the unenviable task of building up an audience out of nothing and of selling that audience to advertisers even before its exists ; presumably this may mean at first a large outlay upon unsponsored "sustaining" programmes. It is by no means clear whether, on an economic basis, there is room in this country for several small, and probably local, rivals for the BBC. Events may prove that what emerges from the present traffic behind the scenes is not a number of independent regional groups, but one, or at the most a handful, of commercial networks offering only a few alternative programmes at any one time. Without some means of offering national coverage to its advertisers, a commercial station in the restricted area of Britain may simply not be an economic proposition.

Shell Cornucopia

WITH a gross income of £1,616 million and net assets worth £1,018 million, the Royal Dutch-Shell group towers head and shoulders over all other business concerns domiciled in Europe. The broad trading results of this group in 1952—a small fall in gross profits, but a small increase in net profits and in the dividends paid by its two constituents—were discussed in these columns on May 16th, when the preliminary profits statement was published. The publication of the group's full report now makes it possible to look at its complicated accounts, and their import for the international oil industry, in more detail.

The main complication about the group's annual accounts springs from the fact that it is the Gog and Magog, not the Goliath, of the oil industry. In fact, as a legal entity, the "group" does not exist. What does exist is a close partnership between two separate companies—Shell Transport and Trading, and Royal Dutch Petroleum—that have invested jointly in a wide number of oil producing or marketing ventures all over the world, in each case in such a way that the capital put up by Royal Dutch has been one and a half times as large as the capital put up by Shell Transport.

These two companies (henceforward called the "group") participate in this ratio of 60 to 40 in the whole of the capital and income of three major operating companies—Shell Petroleum, Anglo-Saxon Petroleum and Bataafsche Petroleum—which, in their turn, control subsidiary companies engaged in all branches of activity in the oil industry. In addition, the group has a controlling interest in the Shell Oil Company in the United States, in Shell Francaise SA and in the United British Oilfields of Trinidad Company; the remainder of the shares in these companies are held by private and institutional investors, but this year—and for the first time—the group has included the assets, liabilities and income of these companies in its own consolidated accounts (with an offsetting entry in these accounts against minority interests). Among the other important companies in which the group has made an investment (but has not secured a controlling interest) are the Iraq Petroleum Company, the Shell-Mex and BP marketing organisation in this country, and joint marketing companies in Africa, Asia and South America. In all, the group controlled the production (and, in the main, probably also the distribution) of some 597 million barrels of crude oil last year, or about one-eighth of the world's total production.

This colossus, then, straddles the world; but it is a colossus in the giants' homeland of Brobdingnag. In his report to shareholders for 1952, Sir Frederick Godber, the chairman of Shell, estimates the cost of capital outlays in the whole of the international oil industry since the end of the war and in the foreseeable future at £6,500 million; it is sobering to recall that this is not much less than the whole of Britain's domestic outlay on fixed investment in the last four and a half years.

Indeed, one of the major questions at the moment must be whether this pace of development in oil production has not been too hot. Oil consumption throughout the world is still rising, but the curve of expansion is flattening out. Last year consumption of oil products (at 635 million tons) was 7 per cent higher than consumption in 1951, but this compared with an increase of 10 per cent in 1951 and of 12 per cent in 1950. This slackening of the rate of increase in consumption has been particularly marked in the consumption of fuel oils, of which, Sir Frederick reports, "a surplus . . . (has) emerged, with a depressing effect on the returns for this product and, although there has been a slight improvement in the basic price since the end of the year, it is still below that ruling a year ago." To some extent high petrol taxes have contributed to this result; in Britain, for example, in response to Mr Butler's budget of 1952, there was no increase in total consumption of petrol last year and average consumption per vehicle fell. An exception to the general trend is the steadily rising demand for aviation petrol; although the throughput of aviation petrol in the Royal Dutch-Shell refineries was stepped up by 60 per cent last year, this type of fuel remained in short supply.

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Yet Sir Frederick's outlook on the future is by no means a gloomy one. After a year of "uncertainty and consequent hesitation," he appears to be willing to accept the reappearance of freer supplies and stronger competition as a "return to normal conditions"; and he regards the recent weakening in tanker freight rates as nothing more than "a healthy readjustment of a position which had got out of hand." Much of his confidence, however, may spring from the fact that the Royal Dutch-Shell group more than held its own in world markets last year; while world consumption of oil products rose by 7 per cent, the volume of the group's own sales rose by 11 per cent. This increase was primarily responsible for the rise in the group's sale proceeds and other income by £192 million to £1,616 million. In normal circumstances this would have been a very satisfactory increase, but last year it was more than offset by a rise of £206 million (to £1,383 million) in total costs. As a result, the group's gross trading profits fell from £247 million to £234 million; the increase in its net trading profits, by £5 million to

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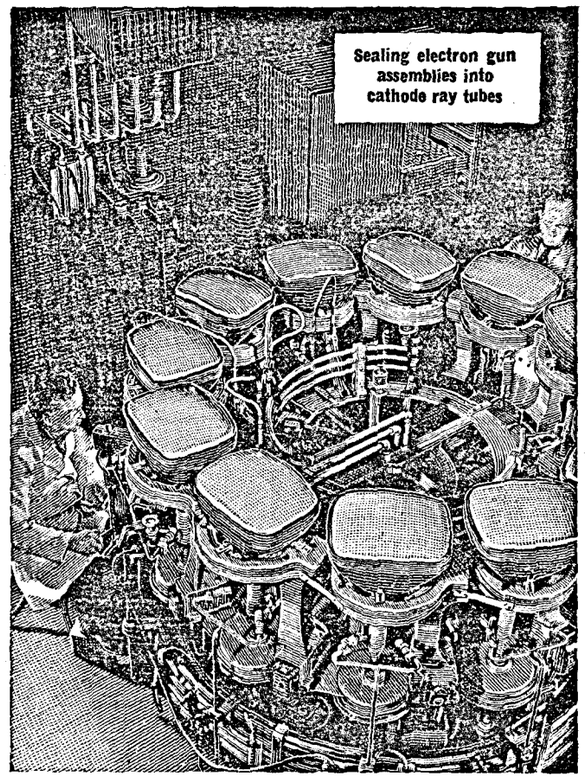
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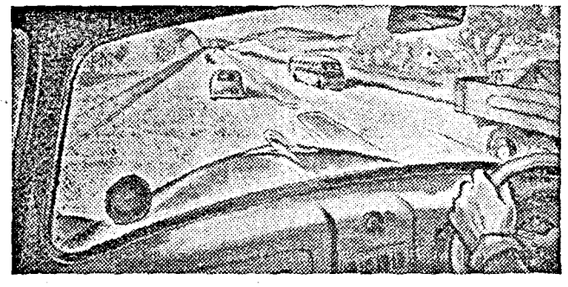
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DIESEL TRACTORS AND EARTHMOVING EQUIPMENT

£126 million, can therefore be attributed directly to the fall in the provision for taxation from £112 million to £99 million.

From these profits slightly bigger dividends were paid to the two partners and, in turn, both Shell and Royal Dutch effectively increased payments to their equity shareholders (Shell repeated its dividend of 15 per cent tax-free despite last year's one for four bonus issue, and Royal Dutch paid a cash dividend of 16 per cent against a cash dividend of 13 per cent and a stock dividend of 2 per cent in 1951). Inevitably, however, these higher dividends meant that less was ploughed back into the business; although it is a sign of economic health that the latest appropriations (at £106 million) are shown as available for all purposes in contrast to the decision in 1951 to reserve £123½ million against specific contingencies. Largely because of this, the group's liquid resources have been strengthened despite sizeable increases in its material stocks (from £92 million to £103 million) and in oil stocks (from £188 million to £206 million).

The group's basic problem, however, is that it needs large ploughed-back profits if it is to continue with its huge programme of development and exploration. Last year, for instance, the group spent about £188 million on capital account and added another £9 million to its portfolio investments; as the sums available through depreciation and amortisation provisions amounted to only £136 million, a further £61 million had to be drawn from ploughed back profits to support this programme. About one half of this total sum of £188 million was spent upon exploration and production, just over another quarter on oil refineries and chemical plants, and the remainder upon ocean-going fleets of ships and upon marketing and miscellaneous facilities. In financing this programme, the group has come up against the general problem of the lack of risk capital in the new issue market; Sir Frederick devotes part of his address to emphasising this familiar problem, and draws the obvious—and for shareholders ominous—conclusion that "international industry must look to the retention of a large proportion of its earnings for its main finance."

To sum up. The massive march of development in the oil industry, having already stepped in almost derisory style across the gap hacked into world supplies by Dr Mossadegh, is now faced by signs that the rate of increase in world oil consumption is flagging and could soon come to a halt. Even if this does not happen the need of finance for development purposes may tend to prevent dividends from rising much further; while if the world's consumption of oil ever turns down, prices and profits could be quickly affected—and it remains to be seen what the various foreign governments that draw their oil royalties on a profit-sharing basis would say to that.

ROYAL DUTCH-SHELL GROUP

PROFITS AND APPROPRIATIONS
(£ million)

	Dec. 31, 1951	Dec. 31, 1952
Sales proceeds and other income	1,424·3	1,616·6
Costs and expenses		
Operating costs, royalties, oil purchases, etc.	817·7	943·9
Sales taxes, excise duties, etc.	252·3	302·6
Depreciation, etc. (including exploration costs capitalised)	106·9	136·3
	1,176·9	1,382·8
Trading profit	247·4	233·8
Dividends and interest received	5·6	9·6
Total income	253·0	243·4
Charges and provisions		
Interest on long-term borrowings	5·5	5·7
Taxation	112·3	99·4
Minority interests	14·8	12·7
Net income	*120·4*	*125·6*
Exceptional credits	22·2	3·0
Total net income	*142·6*	*128·6*
Dividends to Royal Dutch and Shell	19·1	22·2
Profit retentions	123·5	106·4
Total appropriations	*142·6*	*128·6*

ASSETS AND LIABILITIES
(£ million)

	Dec. 31, 1951	Dec. 31, 1952
Fixed assets		
Property, plant and equipment	1,173·3	1,335·1
Less depreciation, etc.	665·5	772·3
	507·8	562·8
Investments	69·9	77·5
	577·7	640·3
Current assets		
Stocks of materials	92·1	103·1
Stocks of oil and goods for resale	188·0	205·6
Accounts receivable and prepayments	189·7	207·0
Cash and securities	247·7	261·7
	717·5	777·4
Current liabilities		
Accounts payable, etc.	196·4	197·7
Taxation	142·9	134·2
Dividends payable	18·8	22·0
Bank overdrafts	13·7	15·0
	371·8	368·9
Net current assets	345·7	408·5
Less deferred liabilities	25·0	30·4
Balance sheet total	*898·4*	*1,018·4*
Provided by		
Long-term borrowings	160·9	166·8
Minority interests	76·3	84·0
Invested capital	218·9	218·9
Retained profits	442·3	548·7
Total	*898·4*	*1,018·4*

Business Notes

Commonwealth Contradictions

NOBODY expected this week's Commonwealth conference to do more in the economic field than to shake its head sadly over the plight that has befallen the highest hopes of last December, and to clear up some of the patient bewilderment with which most of the Commonwealth Prime Ministers are looking out on their countries' trade policies today. But it is perhaps a little unfortunate, for clarity's sake, that the draftsmen of the eventual communique, while striving for the traditional platitudes, should have proclaimed the sterling area's firm intention to run in two diametrically opposite directions at the same time. The principal economic passage of the communique declared that:

> Particular attention was given to the need for stimulating economic development, for expanding exports and, consistently with the maintenance of adequate reserves, for removing progressively restrictions on trade over as wide an area as possible and especially within the Commonwealth and the sterling area.

Since the extent to which the sterling area will have resources to spare for the expansion of exports to the outside world will depend, at least partly, on the extent to which they are not using those resources for the production of goods for sale to one another, the last nine words of this declaration are completely incompatible with the precepts that precedes them. The policy enunciated in this communique is that of striking out against restrictionism and discrimination in the whole wide world, but at the same time paying especial attention to whipping up trade within one particular restrictive and discriminatory bloc. In the tradition of Animal Farm, the doctrine is that all payments should be multilateral, but some should be more multilateral than others.

It is, however, unfair to blame the sterling area governments for this peculiar state of affairs. The object of their trade policy now is to move towards something that is rather vaguely called "freer trade," when and how they can; steps towards this freedom in one direction will make steps towards it in another direction impossible, but the policy now is not to bear in mind any clear order of priorities about which steps would eventually be the most desirable but simply to take those that are immediately most practical. This certainly seems to be in contradiction to the policy that the Prime Ministers enunciated last December; although there are some who allege that it is not contradictory to the policy that they actually always had in mind.

In terms of hard policy, the most likely outcome of last week's conference is that some pressure has been put upon Australia and certain other dominions to ease their import restrictions, especially against sterling area goods and perhaps against European goods as well. One other policy decision towards which Britain was believed to be moving must now, however, be contradicted. It was reported in *The Economist* last week that the British Government was believed to have veered in favour of a higher proportion of gold payments, and a lower proportion of credit, in the monthly settlements at EPU; since the plan for a "harder EPU" that the Belgians are now trying (unsuccessfully) to foist upon OEEC would apparently call for large once-for-all gold settlements by those in debt to the union from past transactions, however, anybody in the British Government who was veering in this direction has now veered smartly away again. Of course, opposition to a scheme for elevating payments within EPU towards the same system as that now used for payments with the dollar area is flatly inconsistent with propositions for convertibility; for less discrimination and all that. But practicability, not consistency, is the touchstone by which decisions on trade are now being, and should be, judged.

Markets and Peace

THE week-end news of the Korean negotiations, and the subsequent spreading of hopes of an early peace, have been a dominant influence upon world markets this week, but except on Wall Street—which took a hard knock to the lowest levels of the year—it has not been a heavily oppressive one. In London, as was perhaps to be expected, the effects were more pronounced on the metal exchanges than upon Stock Exchange. The general tone in the stock markets, indeed, remain refreshingly bright (though not unduly optimistic) until the opening dealings on Wednesday. Then, industrial equities were marked down, bringing to an end the steady advance achieved since May 20th, when the *Financial Times* ordinary share index touched its lowest point for the year, at 113.9. Between this date and Tuesday last the index had climbed to 118.1, but Wednesday's dealings brought it down to 117.6 —which was still 0.7 above its level of a week earlier. The mood of uncertainty has, however, ensured a sustained focus upon the gilt-edged market. The advance in prices there continued apace, with War Loan rising from 81 9/16 to 82 3/16 and 4 per cent Consols making the biggest gain of all—from 92 1/16 to 92¾. This strength of the funds carried the new Tanganyika issue home on a tide of success; when dealings began in the new loan on Wednesday it was immediately quoted at a premium of 3/16, which widened by the close to 9/16. Indeed, the only sector of the market that was really depressed by the news from Korea was that dealing in base-metal shares—and here, of course, dealers were following the lead of the metal exchange.

Metal prices took their first sharp tumble on the Friday before the weekend. Spot price tin then slumped £21 5s. to £711 5s. a ton, lead dropped £1 7s. 6d. to £86 15s. a ton and zinc £1 8s. 9d. to £71 6s. 3d. a ton. These markets remained weak on Monday—as did the rubber market, where the price fell from 20 7/16d. to 20¼d. a lb; this compares with the year's highest price of 26½d. recorded in January and the year's lowest of 19¾d. recorded in April. Tin lost a further £20, lead £2, and zinc £1 4s. 3d. At these points the markets paused for breath, and prices hardened slightly, with tin recovering to £693 15s. a ton, lead to £85 15s. a ton and zinc to £70 7s. 6d. a ton by Wednesday's close.

Very Full Employment

THE number of people unemployed in Britain in mid-May was down to 340,300, the lowest since December 1951. This represents only 1.6 per cent of the estimated number of employees in the country, and may be compared with the percentage of 2.2 per cent in May last year—about the nadir of the depression in textile manufacture. The continued and steady recovery in textiles is indeed the main factor in the return to very full employment. Civil employment in textiles in July, 1952, was down to 878,000; at the end of April it had recovered to 978,000—still, however, nearly 60,000 less than it was two years ago. Recovery was more marked in the woollen and worsted industries than in Lancashire; employment in the wool textile industries was up to 219,000, against 190,000 a year ago and 214,000 in June, their lowest point. But employment in cotton, 282,000 at the end of April, was still 52,000 lower than in June, 1951, though 17,000 higher than in August last year. In textiles as a whole, employment rose by 15,000 during April this year.

Employment rises seasonally in the spring: during April 82,000 extra people entered civil employment, including a substantial number of young people leaving school. The seasonal activity in agriculture and fishing took in 15,000 extra workers, and employment in services rose considerably—with 13,000 extra in the distributive trades and 10,000 extra in catering and hotels. The manufacturing labour force rose by 29,000, the main increase being that in textiles noted above. The clothing industry, too, gained 9,000 people on the month. The main movement of labour in recent months, even discounting seasonal influences, thus appears to have been firmly back into the consumer goods industries.

Labour in Engineering

SINCE 1951, during which the labour force of the metals and engineering industries grew by nearly 120,000 workpeople, or 3 per cent, there has been little change in the total. During 1952, the labour force in metal manufacture grew by 1,000, and the vehicle industries gained 28,000 workers; but other "engineering, metal goods and precision instrument" industries lost 29,000, so the total remained stable. Clearly, the large-scale move of workers into the engineering industries from outside was replaced during the winter by a flow into consumer goods manufacture. But there have been significant shifts between some of the heterogeneous industries that make up this broad category of "engineering." The following table, comparing the changes in numbers employed recorded for certain industries in 1951 and 1952 (without reconciling the totals for "end-1951" that were revised during the year) gives some indications of the main changes during each year. It records those industries within which a change, up or down, of more than 5 per cent in numbers employed (which are not comparable with the broad figures of "civil employment") took place in 1951 or 1952.

MAJOR SHIFTS WITHIN ENGINEERING EMPLOYMENT 1951 AND 1952

	1951 Increase or decrease		1952 Increase or decrease	
	'000	%	'000	%
"Expanding"				
Aircraft	+23·4	+15·2	+29·7	+16·8
Ordnance	+ 6·5	+16·8	+ 5·3	+ 9·8
Machine tools	+ 5·0	+ 5·7	+ 6·5	+ 6·9
Telegraph equipment, etc.	+ 2·8	+ 5·8	+ 3·4	+ 6·5
Accessories for motors and aircraft	+ 8·6	+ 7·5	+ 7·0	+ 5·2
Electrical machinery	+ 9·6	+ 5·6	+ 3·1	+ 1·8
Boilers	+ 1·4	+ 5·1	+ 0·4	+ 1·3
Wireless & gramophones	+ 6·8	+ 7·4	+ 0·9	+ 0·9
"Contracting"				
Carts & perambulators	− 0·5	− 5·3	− 1·1	−12·5
Textile machinery	− 0·9	− 1·2	− 7·0	− 9·1
Railway rolling stock	− 4·5	− 5·3	− 1·5	− 1·8
"Altered Development"				
Constructional engineering	− 4·8	− 5·7	+ 0·7	+ 0·9
Tools & cutlery	+ 1·9	+ 3·5	− 7·8	−14·2
Musical instruments	+ 0·2	+ 2·4	− 0·8	− 8·8
Stationary engines	+ 1·0	+ 3·8	− 2·3	− 8·6
Radio valves & lamps	+ 5·5	+14·6	− 3·4	− 8·0
Hollow-ware	+ 0·3	+ 0·5	− 4·3	− 7·3
Electrical goods	+ 7·9	+ 6·2	− 9·5	− 6·3
Batteries & accumulators	+ 0·7	+ 3·6	− 1·2	− 5·9
Brass manufactures	+ 0·8	+ 1·7	− 2·5	− 5·1

More detailed analysis, therefore, emphasises the limitations of the monthly figures of civil employment in broad groups of industries as a guide to significant movements of manpower in the economy. With this reservation, it is worth noting that in the first quarter of 1953 the total engineering labour force tended to shrink more sharply: by the end of April metal manufacture had 12,000 fewer workers than at the end of December, employment in the vehicle industries was almost unchanged, and the "engineering, metal goods and precision instruments" industries had lost another 19,000 people. Sections of engineering still recording increases in numbers employed were aircraft, wireless and gramophones, shipbuilding and marine engineering, and railway rolling stock—plus carts and perambulators and hollow-ware. All other industries in the group had stable employment or showed declines.

Salesmen for Steel Shares

THE cast is now fully assembled for the opening scenes of steel denationalisation. This week the Treasury announced the membership of the new Iron and Steel Holding and Realisation Agency, which, as was already known, will be headed by Sir John Morison, who has been advising on the question of resale for some time. His colleagues include Sir John Green, chairman of the moribund Iron and Steel Corporation of Great Britain. This organisation seems likely to present its second and last report, for the year ending in September last year, very shortly ; this will have some general interest if only because it may give more indications of the broad course of profitability of the industry than have yet appeared in individual steel company reports. The corporation, having dutifully presented this report to the Minister of Supply, will then presumably commit *hara-kiri* amid much politeness ; there does not seem to be any intention to produce any further report or accounts for the period since September. But indications of commercial experience to date will presumably appear in the prospectuses that are presumably already in preparation. The agency's intention seems to be to float off a number of the larger companies before the holidays, Stewarts and Lloyds having been rumoured as perhaps the first. This selection might be a good one, and would probably be well received ; but the City is saying nothing until it sees the first prospectus—and some surprise has been expressed at the silence of the steelmasters themselves upon the virtues of the operation.

The agency will have the duty of acting as a passive controlling shareholder as well as of selling its shares, and Sir John Green's experience at the head of the corporation will obviously be of value here. It will share some of its responsibilities with the recently appointed Steel Board—particularly if any questions should arise of regrouping some of the now nationalised companies.

No Concessions on Purchase Tax

IN the Finance Bill debate the Chancellor of the Exchequer has this year presented a firmer front to the renewed pressure for concessions on purchase tax. Last year, it will be recalled, he felt obliged to concede relief to the textile industry, and during the debate introduced two new tax rates for textiles only, of 25 and 50 per cent (instead of 33⅓ and 66⅔ per cent). This year, having given concessions in the budget itself—mainly by extending these changes to all the other products still attracting tax at the relevant rates, as well as by reducing the 100 per cent category to 75 per cent—he has refused any concessions for textiles at all. In this he was certainly justified, for, as he pointed out, the textile recovery has gone far enough to make any such measures unnecessary. In spite of the constant criticisms levelled against them, the special "D" schemes for textiles constitute a tax advantage that other industries subject to purchase tax, with the exception of furniture, do not enjoy. During Wednesday's debate, Mr Maudling estimated that the amount of tax paid on textiles was equivalent to 5 per cent of the wholesale turnover, compared with 34 per cent for other industries.

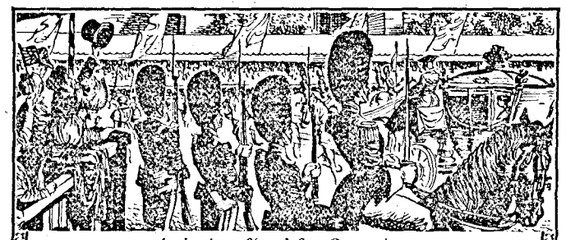
On the question of the future of purchase tax as a whole, Mr Butler made it plain that he hoped to continue the policy of general reduction that he started last April. The Budget changes, he recalled, reduced each of the old rates by one-quarter and will cost £45 million this year and £60 million in a full year, compared with the previous year's purchase tax yield of around £300 million. The Government's answer to those who would have liked to see an even larger reduction is that a bigger drop in revenue could not be afforded. Moreover, any sharper reduction would aggravate the burden thrown upon retail traders in the form of losses on tax-paid stocks. The Chancellor put this year's loss by retailers at about £13 million, which roughly confirms the estimate of £15 million made in these columns at the time of the budget.

Textiles in April

THE trend of textile production this spring certainly bears out the Chancellor's confidence in the industry's recovery. Production and sales now seem to have reverted to their normal seasonal pattern—with Easter marking the customary decline. Rayon output, though still running at a very high level, dropped in April by 3.6 million pounds to 32.7 million ; similarly, production of cotton cloth fell from an average of 35 to 33 million linear yards a week and rayon and mixture cloth production from 15 to 14 million yards over the same period. In Bradford, consumption of wool declined from 46 million pounds to 42 million. In the wholesale trade, the index of textile sales (1950 = 100) dropped from 115 in March to 95 in April. In each of these cases, however, the figures were above their level at the corresponding date last year. Textile sales by value are nearly 9 per cent up on the year, in spite of the sharp fall that has occurred in textile prices, while the value of stocks on the wholesalers' shelves, which was one point lower in April than in March, was 28 per cent lower than it was a year ago—at 86, compared with 121. Combined cotton and rayon cloth production in Lancashire was on

BRITISH BANKING
1952

A series of articles surveying developments in British banking in 1952 will appear in *The Economist* next week and an associated selection of banking statistics will appear simultaneously in the *Records and Statistics* Supplement.



At the time of 'our' first Coronation . . .

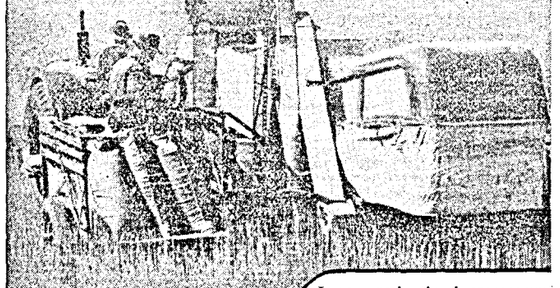
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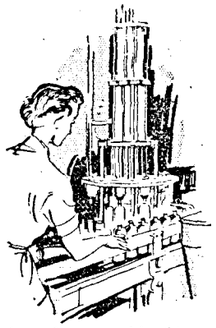
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The growth of the Corporation during the eight years of its existence is shown by the following table of net advances and investments.

	Loans £	*Share Investments* £	*Total Net Advances and Investments* £
1946	178,380	—	178,380
1947	1,836,646	1,233,399	3,070,045
1948	4,701,959	3,058,180	7,760,139
1949	7,976,449	4,422,044	12,398,493
1950	9,922,907	5,745,172	15,668,079
1951	11,755,666	8,496,735	20,252,401
1952	14,561,192	9,127,807	23,688,999
1953	16,475,558	9,810,797	26,286,355

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Total Assets £153,974,000

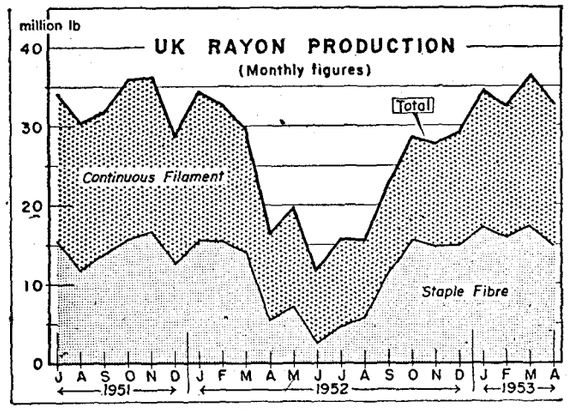
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average 6 million yards a week above last year's level; wool consumption was up from 28 to 42 million pounds, but the most striking evidence of recovery is that afforded by the figures for rayon yarn. Here the total has doubled—from 16.6 million pounds in April, 1952, to 32.7 million in April this year.

The accompanying chart shows that the general level of production, in both continuous filament and rayon staple, is back to the high levels reached at the end of 1951, with the disastrous summer of 1952 representing a trough between the two peaks. Production of rayon staple is, indeed, now running at an even higher rate than in 1951. In several months of that year it exceeded 15.5 million pounds; whereas both in January and March this year it exceeded 17 million, dropping to 14.8 million in April because of the Easter holiday. This section of the industry was the most severely hit by last year's slump, when staple production at one point declined to little more than 2 million pounds a month. The recovery in rayon seems, however, to be largely supported by the home market. Deliveries of continuous filament yarn to home consumers averaged 16 million pounds a month in the first quarter of the year, compared with a monthly average of only 11.5 million in 1952. The total value of rayon exports has declined; during the first four months of this year, it amounted to only £13 million, compared with more than £17 million in 1952. As the figures show only a slight rise in volume, the decline cannot have been wholly due to a more competitive price policy.



New Funds for the Comet

THE £6,100,000 that de Havilland hopes to raise from its two new issues is expected to satisfy about half of the additional finance that the group will need in the next three or four years. The other £6 million odd, which will be needed as additional working capital to finance the building and development programme of the Comet and other aircraft and engines, will come partly from ploughed back profits but also partly (and probably largely) from borrowings from the banks. The new issues announced this week are designed to satisfy all tastes, for de Havilland proposes to raise £1,200,000 from an issue of 5¼ per cent redeemable cumulative £1 preference shares at par and about £4,900,000 from an issue of 4,385,459 £1 ordinary shares at 22s. 6d. each. These new ordinary shares are offered by way of renounceable letters of rights to the company's existing equity shareholders, in the ratio of one new share for every share now in issue. At a price of 22s. 6d. the new shares offer a yield of 6⅔ on the assumption that the company will do nothing more than to maintain the equity dividend at the current rate of 7½ per cent; these terms offer a sufficient turn on the current price of the ordinary shares of 27s. to ensure full subscription lists. But although the new shares are an attractive investment, and although the directors expect that profits in the year to September 30th next will exceed the gross profits of £1,575,989 in 1951-52, shareholders should not nurse extravagant hopes that, in conditions of possibly cooler war, the company's earnings will necessarily soar as high as the Comet itself.

Equilibrium in Rubber

WORLD production and consumption of natural rubber during April were the same, 132,500 tons. From the producers' point of view this was not as satisfactory as the balance in the two previous months, when consumption exceeded production (by 17,500 tons in February and by 5,000 tons in March). But it was still a great deal better than the monthly surplus of rubber production throughout 1952 and in January this year, when it amounted to 27,500 tons. This recent approach to a balance of production and consumption, however, has only slightly relieved the gloomy outlook for natural rubber, and the new situation is maintained precariously.

According to the figures published by the Rubber Study Group Secretariat, production in April was 2,500 tons lower than in March, but consumption was 7,500 tons lower. For the first four months of this year production of natural rubber amounted to about 545,000 tons and consumption to 537,500 tons, an excess of production of only about 7,500 tons; for the corresponding period last year production was 587,500 tons and consumption 502,500 tons, resulting in an excess production of 85,000 tons. Production has thus been 42,500 tons less and consumption 35,000 tons more than up to the end of April last year. Production of synthetic rubber for the first four months of the year amounted to 329,500 tons, about 6,000 tons less than in the corresponding period a year ago and consumption, at 327,500 tons, was about 3,000 tons down. The excess production of synthetic rubber up to the end of April was about 35,000 tons last year, but it was only about 2,000 tons this year.

It is too early to say whether this approach to equilibrium in the production of rubber will continue; but it has fortified those who hold the view that a buffer stock for natural rubber is unnecessary as an answer to the planters' difficulties. At this week's meeting of shareholders of United Sua Betong, Sir John Hay came out very strongly against a buffer stock scheme. Sir John and many other rubber experts believe that a reduction in the production, or a rise in the price, of synthetic rubber would be the most helpful single thing for the natural rubber industry. Any important change in synthetic prices is, however, unlikely before next year, when it is expected that the government-owned United States synthetic plants will pass into private ownership. Meanwhile the remainder of this year must remain a crucial period for rubber planters.

Branded Margarine Again?

RECENT statements from two leading manufacturers of margarine, Unilevers Limited, and Van den Berghs and Jurgens Limited, lifted the veil only very slightly on the question of when the British housewife will be offered a choice between different brands of margarine, instead of being restricted to the single "national" variety. As long ago as last October, the Ministry of Food propounded a plan to make this choice possible. Some of the private manufacturing companies are believed to have been willing to accept this plan after only minor amendment; but, despite this, negotiations are still proceeding between the Ministry and a committee representative of the whole trade, and it now appears that branded qualities may not come on the market until next January.

The main difficulty is that the manufacturers—and presumably especially the high quality manufacturers—are reluctant to accept any scheme that does not guarantee adequate and regular supplies of good quality raw material. At the moment practically all the raw material that the sterling area has to offer is being taken up; and, to achieve complete freedom, the industry would like additional supplies that would cost about £22 million a year, of which £10 million would be in dollars. The government, for its part, is inclined to try a return to branded qualities while still retaining rationing; although this would be administratively irksome many producers would be willing to give this a trial. Finally, however, the government wants to remove the present subsidy of about 2d. a lb on margarine (which costs it £13 million a year), but at the same time to make reasonably certain that retail prices would not rise by more than that amount. The introduction of branded qualities would no doubt stimulate competition, which might be very keen at the start, but the government cannot overlook the fact that about 50 per cent of production is in the hands of one group of makers.

Coal Budgeting

THE Coronation holiday cost the coal industry about a million tons of coal, and may have had some effect upon output during the days before and after. Output last week amounted to 3,058,000 tons from the mines and 131,200 tons from the opencast sites; this compares with 3,360,000 tons and 231,400 tons respectively the week before (which was Whit week) and with 4,339,400 tons and 247,200 tons respectively in the week ended May 23rd. It was only slightly lower than the corresponding week last year, which was again Whit week. So comparisons are necessarily blurred; and the industry is looking at the picture of cumulative production this year and last, from which it can draw a certain amount more comfort. The loss of production during the extra day in 1952, which was a leap year, and during the Coronation are past; and the industry has still produced more than last year—about 5,000 tons more. It may already be beginning to experience the more important of the handicaps with which the coal mines have to cope in 1953—the miners' second week's holiday. At the present moment, it may be losing perhaps 40,000 tons a week through the longer holidays miners are beginning to take; by the end of the months the weekly loss of coal may be five or six times as much as that, to be continued throughout the summer. The eventual loss of coal through this extra holiday has always been put at about 3½ million tons—a summer week's output; to offset it, miners at work will have to continue to increase production.

During the last two months, they have indeed achieved a certain increase; the National Coal Board estimates that the extra million tons of coal that has offset the losses in working time so far was obtained during this period, a substantial amount of it coming from the newcomers who have now been upgraded into productive work. Inland consumption, it is however worth noting, is already 1,600,000 tons higher than it was by this time last year, and the board has managed to send so far about 1,300,000 tons more overseas. Distributed stocks ten days ago were 13,857,000 tons, which is more than a million tons lower than a year before; and in their own stocks at collieries and opencast sites or stocking grounds the board has now only about 700,000 tons more saleable coal than it had then. The building of stocks continues, though the loss of coal through holidays may slow it down; those responsible for the board's coal budgeting must still be fairly anxious about the winter.

Select Committee in the Clouds

THE latest report on rearmament from the Select Committee on Estimates devotes particular attention to the difficulties of aircraft production. Two points caused the Committee most concern. These were the disconcertingly long time-lag that seemed to exist between the design and the delivery of military aircraft, and the apparent multiplicity of designs in production. In consequence, the recommendations attached to the report were somewhat critical of the size of initial orders placed by the Ministry of Supply and of the timing of those placed by the Admiralty for naval aircraft. The Committee also suggested that the services and the Ministries "should examine the possibility of greater co-operation between the Western Allies so that each country can produce at a reduced cost per aircraft a more limited range but greater number of specialised aircraft for the benefit of all the Allies."

These suggestions overlook one vital point: no country can afford in peacetime to keep all branches of its services equipped with the most modern weapons all the time. Weapons are under continuous development; and aircraft design, in particular, is in the throes of a technical revolution brought about by the sudden opportunities for supersonic and near-sonic flight. When an aircraft goes into service it has to remain standard equipment for several years, towards the end of which it will certainly be technically inferior to newer designs in service here or elsewhere. It is therefore important—and this is a prime test of judgment—to order a design that holds out the prospect of having the longest effective service life. When the Select Committee contrasted the Ministry of Supply's recent practice of ordering designs from the drawing board with the Admiralty's practice of testing prototypes before ordering, it was not in fact comparing like with like. The Swift and Hunter fighters have been both evolved from a long succession of prototypes dating back to the early postwar years. Four-engined jet bombers have been ordered off the drawing board—in very limited numbers—because the alternative was to leave the Air Force without any such machines in its armoury, and nobody wanted that. In the case of the Navy, it is fair to say that no really satisfactory designs were put up to it until the arrival of the twin-engined Vickers fighter which, although it has been ordered off the drawing board, is itself an evolution from an earlier prototype. Those aircraft that the Navy has ordered have had to be modified again and again to bring their performance and that of their equipment closer to service specifications.

This constant evolution of design also justifies the placing of initial orders that appear small and expensive to the aircraft manufacturer, but that are in fact an insurance against the danger of burdening the Air Force with large numbers of obsolescent machines. The cutting of the very big orders placed in 1950 and 1951 for Meteors, Vampires and Canberras was a clear illustration of this danger that the Government has rightly taken to heart. For much the same reasons, it is unrealistic to suggest that in a time of technical evolution, the industries and the air forces of different countries should all standardise on one design of one type. British and American designers have approached the problem of jet bomber design in totally different ways, and, until the aircraft concerned have had several years of testing in squadron service, no one can say which approach has been the correct one. The requirements of aircraft production in cold war are very different from those in hot war. Of course they do give some scope for waste, against which the Parliamentary watchdog must always be on guard; but it should also have a clearer definition of what waste is.

Cost of Defence Tools

THE Government's decision nearly two years ago to obtain the machine tools they required for the rearmament programme partly from overseas, in order to moderate the load on the British machine tool manufacturers, seemed then and since, on balance, the right one. But it was also, necessarily, expensive; and in a memorandum that the Select Committee on Estimates has reproduced in its latest report, the Ministry of Supply has now set down some of the cost.

Broadly, the Government in 1951 decided it would require about 35,000 machine tools, and to get about 18,000 of these from overseas. It ordered in fact about 20,000 tools from abroad, but later cut these orders to 18,500, to cost about £104 million. At the end of February this year, some 14,000 tools had been delivered, costing £76.5 million. The orders on the British machine tool industry, for about 16,500 machines, were later slightly increased; the bulk of these have been delivered, and except for certain specialised producers the industry is now becoming less heavily engaged upon defence work. A small number of the tools delivered from both sources, as a result of changes in the programme, are now surplus.

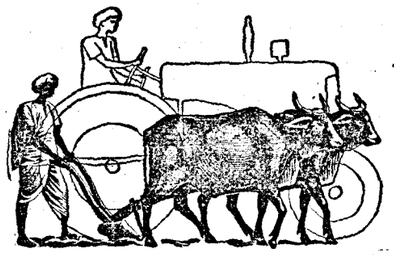
The machines ordered abroad were partly of types that Britain does not produce or of which production here, based upon normal demand, was small. About 8,000 of the total ordered from overseas—costing roughly £70 million, since these are generally more complex and specialised machine tools—fell into this category. Half of them had to be bought from the United States, and half were available from European tool manufacturers. The remaining 10,000 were of types that British makers do produce in substantial quantities, but had largely earmarked for the home and domestic markets. The extra cost was thus £15 million for these tools:—

	Cost of foreign machines obtainable in Britain	UK Cost
USA	£11 million	£4 million
Continental	£23 million	£15 million
	£34 million	£19 million

The American tools cost on the average 145 per cent more than equivalent British types, and in some cases as much as 191 per cent more; Italian machines cost on average 57 per cent more, French 25 per cent more, and German and Belgian 17 per cent more. During last year, when the British industry was left partly free to serve its home and export markets, it increased its output to some 60,000 tools, worth about £60 million; of these, it exported about £22 million worth. Inevitably, the experience has led the Select Committee, like many earlier investigators, to ask why Britain fails to produce types of tool obtainable from other countries; and this question has some force by comparison with European manufacturers, though America is the only country with a steady market large enough to justify production of certain of the more specialised equipment. The extra price paid for foreign tools, again, may seem an expensive way of maintaining the power to export and re-equip British civil industries. It may, too, have assisted European manufacture to expand and generated future competition for engineering exports. But that competition was already increasing markedly. To have pulled the British industry out of its export markets to equip British rearmament might have pulled it out for good.

Ceylon's Deficit

LAST year saw an abrupt change for the worse in Ceylon's balance of payments, which had for several years past been in a more consistently healthy condition than that of any other independent sterling country. In the four years to the end of 1951, Ceylon's external assets rose from Rs. 947 million to Rs. 1,185 million, and throughout this period Ceylon was unique among the independent members of the sterling area dollar pool in consistently running a dollar surplus. But during 1952 the fall in the prices (though not the volume) of Ceylon's exports, coupled with a rise of 38 per cent in the price of imported rice and with a continued high level of total imports, led to a serious deficit. External assets dropped during 1952 by nearly a third, to Rs. 837 million—the equivalent of about six months' imports at the 1951/52 rate—and by March, 1953, they were down to only Rs. 750 million. Moreover, the dollar account is now only precariously in balance—and the long-term agreement to sell rubber to China (in return for badly needed rice)



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Western machines and methods

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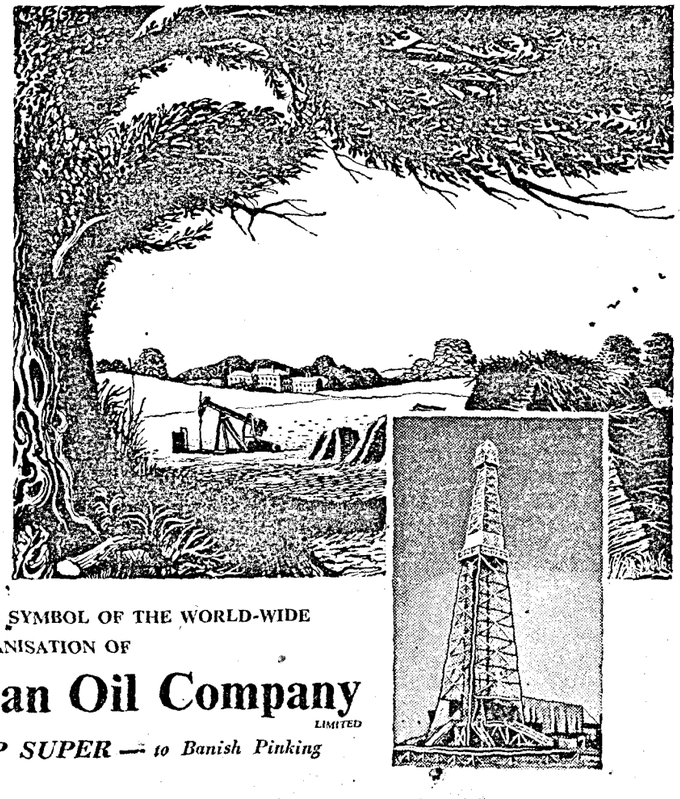
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will certainly reduce Ceylon's dollar earnings in future. As Ceylon is believed to have a flexible and informal agreement with the United Kingdom whereby it retains part of its own dollar earnings, the possibility of its swinging into dollar deficit raises the question of how far it should be allowed to draw upon the sterling area's dollar pool without incurring the full obligations accepted by other members.

This dramatic reversal in Ceylon's external finances is fully documented in the third annual report of its central bank—the youngest in the Commonwealth. This document, which has recently become available in London, maintains its refreshingly independent view of government policy. It points out, in particular, that the large-scale extension of bank credit to finance the government's budget deficit—occasioned largely by the continued high level of food subsidies (amounting to Rs. 245 million)—has been the main reason why the drastic fall in export receipts has not been accompanied by contractionary influences that would have tended to buttress the balance of payments. In this and other outspoken comments, Ceylon's central bank sets a good example for some of its older sisters. It is to be hoped that the government will show no less decisiveness in putting the advice into effect in the difficult situation facing the country. And perhaps the bank, too, should suit deeds to words in the matter of disinflationary policy—by exercising rather more influence towards the raising of interest rates, which are generally lower in Ceylon than elsewhere in the sterling area.

Soap and Synthetics

SIR GEOFFREY HEYWORTH'S address at the annual general meeting of Unilever was devoted almost wholly to an appraisal of the role of synthetic detergents in the soap market. The group has shown itself reluctant to back synthetic detergents up to the hilt with the vigour shown by its major rival, Proctor and Gamble (who control Thomas Hedley in this country); and this reluctance cost it a portion of its American and British markets in the early days. Although, in the past year or so, the company has devoted more energy to the production and marketing of Surf and other synthetics, Sir Geoffrey's speech shows that the change has been one of expediency rather than choice. He emphasises that the synthetic detergents are less *versatile than soap*, except for dishwashing and surface cleaning. This is a verdict that would be confirmed by most detergent chemists; for, of themselves, synthetics have not the ability to hold dirt in suspension in the way that soap can do. Even after blending with various compounds to improve this property, the synthetic still suffers from the handicap that some people find it hard on the hands. Finally, the costs of production (and so the price) are higher than for the equivalent weight of soap powder. When all these factors are combined, they appear to add up to a formidable case against the detergent.

In spite of this, Sir Geoffrey admits that the synthetic detergent powders sell. Last year they accounted for 43 per cent of the household detergents sold in the United States (where they have been on the market longest), for 22 per cent of the household detergents sold in Britain and 23 per cent of those in Holland. The bulk of these sales have been made at the expense of soap, and the synthetics are still gaining ground. This suggests that the detergents must have some stronger appeal over soap, other than their efficiency in hard water, than the Unilever chemists are yet prepared to concede to them. Unilever is expecting the drop in the price of soap-making oils and fats, due to lower soap production, to make soap powders even more competitive with synthetic detergents than they are today. But evidence so far would seem to suggest that prices are not the whole answer. Sir Geoffrey admits that the "tempo of marketing the new blended synthetic detergents is faster than it used to be with soap," because the market must be captured with the minimum delay if the chemical plants producing the basic materials are to operate on an economic scale. Unilever's share in this capital cost in Europe and North America has amounted to date to nearly £8 million, to which must presumably be added some underemployed soap plant.

But whether or not the company's more vigorous selling policy enables it to capture the share of the detergent market that its size suggests it should command, Unilever's first love—and main interest—may still lie in oils and fats. The company is now negotiating to buy a shareholding in East Africa Industries Limited from the Colonial Development Corporation and to assume technical and managerial responsibility for the production of oils and fats there. From the tenor of Sir Geoffrey's speech, which was a remarkably comprehensive analysis of detergent economics, it seems plain that Unilever is by no means convinced that the market for oils for soap will go on shrinking; it is therefore still adopting the cautious attitude of backing detergents both ways.

Finance for Gold Mining

AGAINST the expected background of cuts in many Kaffir dividends for June (but also of some hopes among investors in London, though apparently not yet in the Cape, that gold mining would be one of the few industries that should gain if disinflation gathers pace after a truce in Korea), three chairmen of major mining finance houses have delivered their annual addresses to shareholders this week. Lord Baillieu, at the meeting of the Central Mining and Investment Corporation, spoke for a corporation that is interested in deeper—and therefore at the moment less

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profitable—mines than those of most of its competitors ; but as the Blyvooruitsicht and Harmony mines are in the group, he was able to wax reasonably, though necessarily guardedly, optimistic about the " important milestone " represented by the new emphasis on uranium production. Sir George Albu, at the meeting of the General Mining and Finance Corporation, was largely concerned with explaining the group's somewhat finely drawn offer for the absorption of two smaller investment houses, " Crits " and " Trams " (neither of which has paid any dividend for some years) ; but as General Mining administers West Rand, he too was able to derive encouragement from the uranium prospect (and to make the important point, which can be misunderstood by those who read West Rand's operating results, that the mine is now able to send to the mill ore with a much lower gold content because the uranium makes it profitable).

The third address, and in many ways the most interesting, was that by Sir Ernest Oppenheimer at the general meeting of the Anglo-American Corporation in South Africa. Sir Ernest devoted much of his speech to the familiar problem of the shortage of risk capital. The task of finding the torrent of new money needed to finance the development of the gold mines in the Orange Free State and of uranium production throughout the Union has been exacerbated by the fact that the " state of the financial and share markets " has made new issues by the mining finance houses to the public virtually impossible. The Anglo-American Corporation has found a short run solution by providing loans out of its own resources to a large number of developing mines under its patronage ; last year, loans by the corporation to affiliated and other companies more than doubled—from £7,411,891 to £15,436,208. These loans will be repayable when the developing companies have reached the stage when an issue can be made to the public or when they are earning big enough profits to pay off the loans from their own resources.

Further relief has come from another—and a rather unexpected—direction. Recently, the National Finance Corporation of South Africa has agreed to take up short-term debentures from two companies in the Anglo-American group. Although the Act under which the National Finance Corporation was set up expressly empowered it to make such loans, this is the first time that such arrangements have been made. Naturally enough Sir Ernest gives these pioneering loans a warm welcome and hopes that they will become more common in South Africa. But it is a frightening comment on the decline of the capital market that the risks of development in such speculative ventures as mining on the Rand should have to be borne in part by a quasi-governmental institution.

Gas from the Coal Seam

EXPERIMENTS in the underground gasification of coal have been going on, since the war, in Britain, the United States, France, Belgium and Italy. A conference in Alabama last year pooled their results ; and a report recently issued by a technical mission from the European countries concerned shows that the results are encouraging, though the economic possibilities of underground gasification are not yet established. Russia, the best-publicised pioneer of the technique, is presumably operating underground gasification plants on an industrial scale ; but the West knows nothing of experience there since 1942.

Various methods have been tried, mainly in the United States and this country. A coal face extending between parallel galleries, across a seam, may be ignited and a stream of air passed across it ; boreholes of small diameter may be driven along a coal seam and gas produced by combustion in them as air is passed through ; or in suitable rock formations separate vertical boreholes may be joined by a horizontal tunnel in the coal seam driven to join the bottoms of both. But the method that requires least underground work, and on which most hopes are being pinned, is " percolation." Holes are bored down to the coal seam at some distance from one another, and the gas is circulated between them by the natural porosity of the coal or through cracks produced by the injection of air or liquid under high pressure (or by the passing of an electric current through the seam). Hot gas is produced, of a calorific value suitable for use in local power plant but not worth transport over long distances, when the combustion is carried out with air ; but a richer " synthesis gas " might be produced using oxygen and steam or by blowing alternative blasts of air and steam. It should, the European team conclude, be possible to extract 60-90 per cent of the latent heat in the underground coal, in the form of the warmth and the combustible quality of the gas. Oxygen would increase the cost of gasification, but the richer gas obtained could be distributed as a fuel as widely as coal and perhaps more cheaply, apart from its possible use in chemical processes.

Rhodesian Tobacco Prospects

FOR the first time since the war the area under tobacco for the current season in Southern Rhodesia shows a reduction, being 179,000 acres, or 14,000 acres less than in 1951-52. But the estimate of a good yield this season, giving a total crop of 108 million lb, 11 million lb more than was sold at auction last season, may yet be fulfilled. The target crop of 125 million lb, which means a yield of 700 lb per acre, will not be reached, but the present estimated yield of about 603 lb is nevertheless already about 20 per cent better than last year.

Sales so far on the auction floor at Salisbury have amounted to about 40 million lb, realising approximately £7.6 million, an average price of about 45.5d per lb, which is a fraction higher than for the same period last year. Buyers for the United Kingdom have bought about 57 per cent of this year's crop of Southern Rhodesian tobacco and Australia has bought about 7 per cent. It seems doubtful, however, if the proposed purchase of 80 million lb by Britain will be fully carried out. Southern Rhodesia remains an important source of sterling tobacco for Britain. In the calendar year 1952, of total tobacco imports into Britain, which amounted to 223.7 million lb, valued at £51 million, no less than 58.3 million lb, to the value of £14.8 million, came from there.

SHORTER NOTE

In last week's issue of *The Economist* it was stated that Brazil's commercial arrears " to the major New York banks alone stood at $208.3 million at the end of April." Actually, of course, although this was the figure of arrears reported by fifteen leading banks, the debt was owed not to the banks but to their customers, the United States exporters. It is believed that total commercial arrears owed by Brazil to all American exporters are about twice as large as this.

Company Notes

J. LYONS. The published report of J. Lyons is a disappointingly colourless document for a company whose name is familiar to all and whose record in recent years has been one of remarkable development and expansion. The directors issued no preliminary statement and, as in the past, they are content to let the published figures speak for themselves in the full accounts for the year to March 31st last. Yet the accounts, which record another advance in trading profits (this time from £3,512,812 to £4,162,805), provide no reason for canny secrecy ; it seems probable that the company, which has spent a lot of money on brightening up its restaurants recently, is still efficiently and successfully taking some of the trade away from competing caterers. In any case, the rate of advance has been so rapid

	Years to Mar. 31, 1952	1953
Consolidated earnings :—	£	£
Trading profit	3,512,812	4,162,805
Total income	3,577,990	4,626,738
Depreciation	895,918	1,046,346
Taxation	906,548	1,676,674
Net profit	*786,055*	*874,740*
Ordinary dividends	297,234	308,242
Ordinary dividends (per cent)	22½	22½
Revenue reserves	8,861	212,003
Capital reserves	10,927	704,580
Added to group carry forward	200,798	*Dr244,850*
Consolidated balance sheet :—		
Fixed assets, *less* depreciation	14,794,372	15,064,082
Net current assets	7,931,812	9,829,614
	10,654,979	11,943,954
Stocks	1,313,829	1,147,688
Cash		
Acceptance credits and bank overdrafts	2,250,330	1,885,775
	9,746,390	11,734,689
Reserves	2,326,273	2,326,273
Ordinary capital		

£1 'A' ordinary share at 95s. 0d. yields £4 15s. per cent.

that the company is clearly one that has been hit hard by EPL—although, of course, its business has nothing to do with rearmament. In the accounts the specific charge for EPL is not shown but the total provision for taxation has risen from £906,548 to £1,676,674 ; and this, together with a higher charge for depreciation, has limited the advance in net profits to a mere £88,685. It is, perhaps, because of this stickiness in net profits that the directors have again been content to recommend the same rate of dividend—22½ per cent—that has been paid in each year since the end of the war. Although the £1 ordinary shares are recognised as " blue-chip " equities, the patience of shareholders will be severely tested if the directors fail to break away from this ultra conservative policy when EPL is removed.

★

METAL BOX. Although Metal Box's total income from sales and investments in the year to March 31st last rose from £36,423,000 to £40,165,000, its trading profits fell from £3,720,000 to £3,300,000. Within this total, profits at home declined from £2,545,000 to £2,255,000 and profits earned overseas from £1,175,000 to £1,045,000. These lower margins of profits suggest that, while the group's production benefited from the freer supplies of tinplate, keen competition in the industry forced it to keep prices down while costs were rising.

The fall in profits has been balanced by a decline in taxation (from £2,205,000 to £1,997,000), but, even so, the group's net profits are £202,000 lower at £1,113,000. This decline in earnings, however, has not prevented the directors from recommending the same rate of dividend (15 per cent) on the ordinary capital of £4,515,962, as increased by the " rights " issue of 902,192 ordinary shares at £2 each last June.

The bigger cash distribution to equity shareholders has, of course, had to be accompanied by a reduction in the amounts ploughed back into the business. The whole burden of this has fallen on the companies trading at home ; the holding company's appropriations have been reduced from £752,000 to £576,000, while those of the overseas subsidiaries have actually been increased slightly, from £212,000 to £226,000. As the immediate well-being of the company depends in some measure on a reasonable stability in tin and other raw material prices, the yield of 5⅞ per cent on the £1 ordinary stock units (at the current price of 58s. 6d.) does not appear to be an over-generous one.

★

J. AND P. COATS. The full accounts of J. and P. Coats do nothing to dissipate the gloom engendered by the group's preliminary profits statement (which was discussed in these columns a fortnight ago). The accounts confirm that it was the heavy fall in the price of Egyptian cotton and other raw materials that forced the group to write £5,652,289 off its stocks, and that this, in turn, was largely responsible for the slump in trading profits from £16,172,694 to £5,631,544. At the same time the group was able to reduce the volume of its stocks ; as a result of this, and of the fall in prices, the book value of the group's stocks is down from £53,496,310 to £45,907,132. Nevertheless, as the directors point out, cotton prices are still falling ; if this goes on further stock losses must be expected at the end of this year. Gloomy forebodings do not end there, for the directors also reveal that recent depreciations in rates of exchange in certain overseas countries may involve the group in an exchange loss of £3,400,000 by the end of the year.

Some shareholders had hoped that, as a single ray of light through these clouds, the fall in stock values would be accompanied by a strengthening of the group's liquid resources. Unfortunately, this hope has been disappointed. The group's cash balances

	Years to Dec. 31, 1951	1952
Consolidated earnings :—	£	£
Trading profit	16,172,694	5,631,544
Total income	16,456,123	*6,371,299
Depreciation	932,850	941,418
Taxation	8,462,281	1,529,964
Net profit	*6,529,830*	*2,624,868*
Ordinary dividends	967,968	995,625
Ordinary dividends (per cent)	12½	12½
Retained by subsidiaries	1,871,762	2,136,732
General reserve	3,500,000	...
Added to carry forward	16,840	*Dr 180,739*
Consolidated balance sheet :—		
Fixed assets, *less* depreciation	10,991,492	13,340,157
Net current assets	47,456,833	43,598,884
Stocks	53,496,310	45,907,132
Cash	4,247,450	6,444,037
Bank loans	5,196,006	6,088,979
Reserves	36,036,745	37,486,626
Ordinary capital	14,750,000	14,750,000

£1 ordinary stock at 44s. 6d. xd yields £5 12s. per cent.
* Including £500,000 written back from general reserve.

have, indeed, risen from £4,247,450 to £6,444,037, but these additions to cash balances were accompanied by a rise in bank overdrafts from £5,196,006 to £6,088,979 and by the appearance of an acceptance credit of £1 million. Shareholders will also note that the maintained ordinary dividend of 12½ per cent was effectively made possible only by the writing back of £500,000 from the general reserve ; in this context the directors emphasise that the undistributed profits of certain overseas subsidiaries cannot be assumed to be available for distribution by the parent company. All that shareholders can hope is that the directors will stick to their conservative dividend policy in times of adversity as well as in times of boom.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, June 3, 1953	Price, June 10, 1953	Net Yield, June 10, 1953	Gross Yield, June 10, 1953
			£ s. d.	£ s. d.
War Bonds 2½% '52-54	99 23/32	99 19/32	1 0 4	2 11 8f
Exchequer 2½% 1955	99⅞	99 7/16	1 7 8	2 12 0
Exchequer 3% 1960	100⅜	101 1/16	1 11 1	2 19 2
Ser. Funding 1½% '53	99 31/32	99 15/32	1 9 5	2 8 0
Ser. Funding 1½% '54	98⅞	98 13/32	1 13 11	2 10 7
Ser. Funding 3% '55	100⅜	100 11/16	1 6 3	2 14 0
War Bonds 2½% '54-56	99 15/16	99 15/16	1 5 7	2 10 5f
Funding 2½% '52-57	100 5/16	100 5/16	1 9 4	2 14 0f
Nat. Def. 3% '54-58	101 1/32	100 1/32 *	1 9 1	2 15 5f
War Loan 3½% '55-59	100 15/16	101 1/16	1 9 9	2 17 3f
Savings 3% '55-65	96 1/16	96 1/16	2 1 4	3 10 0f
Funding 2½% '56-61	97 1/16	97 5/16	1 15 6	2 18 10
Funding 3% '59-69	90⅜	90⅜	2 7 3	3 16 3
Funding 3% '66-68	93 1/16	93 1/16	2 4 2	3 13 3
Funding 4% '60-90	99⅞	100¼	2 4 0 / 4 0 0	4 0 8e / 4 0 2f
Savings 3% '60-70	88 3/16	89 1/16	2 8 0	3 17 5f
Savings 2½% '64-67	88⅜	88⅜	2 6 7	3 10 11f
Victory 4% '20-76	101½	101⅝	2 1 11	3 18 8s
Savings 3% '65-75	87 1/16	87⅛	2 8 7	3 18 8f
Consols 4% (aft 1957)	92 1/16	92⅛	2 7 10	4 4 7 7f
Convs. 3½% (aft. 1961)	82 3/16	82 1/16	2 6 8	4 5 3f
Treas. 2½% (aft. 1975)	61	61 1/16	2 5 3	4 2 7f
Treas. 3% (aft. 1966)	71⅛	71⅝	2 6 1	4 4 2f
Treas. 3½% '77-80	90⅜ *	91 1/16 *	2 7 6	4 0 11f
Redemption 3% '86-96	81⅛	81½	2 7 1	3 18 8f
War Loan 3½% aft. 1952	81 5/16	82⅛	2 6 11	4 5 4f
Consols 2½%	61⅜ *	61½ *	2 4 6	4 0 9f
Br. Elec. 3% '68-73	87 11/16	88 1/16	2 8 8	3 18 3f
Br. Elec. 3% '74-77	86⅜	86⅝	2 8 4	3 18 4f
Br. Elec. 4½% '74-79	101 1/16 *	101½	2 6 0 / 2 6 1	4 4 4 8e / 4 4 8f
Br. Elec. 4½% 'A' '74-79	100⅛	100 1/16	2 6 4 / 2 6 5	4 4 4 7e / 4 4 7f
Br. Elec. 3½% '76-79	91 11/16	92⅛	2 6 8	4 4 0 0f
Br. Trans. 3% '78-88	80⅞ *	81½ *	2 8 11	3 19 9f
Br. Trans. 3% '68-73	87 11/16	88 1/16	2 8 8 / 2 6 8	3 18 3f / 4 3 1e
Br. Trans. 4% '72-77	97⅜ *	97⅝ *	2 6 3	4 2 8f
Br. Gas 3% '90-95	80⅜	81⅛	2 7 5	3 18 10f
Br. Gas 3½% '69-71	95⅛	95⅜	2 5 2	3 18 4f
Br. I. & S. 3½% '79-81	91⅜	92 5/16	2 6 8	4 0 8f

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*) (*b*) (*c*)	Ordinary Stocks	Price, June 3, 1953	Price June 10, 1953	Yield, June 10, 1953
% %				£ s. d.
20 *a*	40 *b* Anglo-Am. 10/-	6	6⅛	4 18 11
5 *a*	30 *b* Anglo-Iran. £1	5 1/16 *	5 1/16 *	5 17 11
7½ *a*	12½ *b* Assoc. Elec. £1	75/-	73/9	5 8 6
7½ *a*	22½ *f* Assoc. P. Cem. £1	111/3*	111/3*	5 7 10
33 *b*	10 *a* Bass £1	120/-	118/9	7 4 11
10 *a*	10 *b* Boots 5/-	20/3	20/3	4 18 9
3 *a*	7 *f* Brad. Dyers £1	26/6	26/6	7 10 11
4½ *a*	6½ *b* Br. Celanese 10/-	24/-	24/6	4 9 10
17½	4 *a* Br. Motor Cp. 5/-	6/3	6/3	8 6 5g
6 *a*	9 *b* Br. Oxygen £1	54/9	54/9	5 9 7
3 *b*	3 *a* Can. Pac. $25	$48¼	$46¼	5 15 5
5 *a*	7½ *b* Coats £1	44/6*	44/6*	5 12 4
6½ *b*	5 *a* Courtaulds £1	38/6	39/9	5 13 2
16 *c*	2½ *a* Cunard £1	36/6	36/6	8 15 4
15 *b*	7½ *a* Distillers 4/-	16/6	16/6	5 9 1
17½ *c*	17½ *c* Dunlop £1	44/4½	46/3	7 11 4
15 *c*	15 *c* Ford £1	28/3	28/3	5 6 2r
15 *b*	5 *a* Gen. Elect. £1	40/7½	40/7½	5 10 9p
5 *a*	10 *b* Guest Keen £1	47/-	47/6	6 6 4
7 *a*	10 *b* Guinness 10/-	28/3	28/3	6 0 4
4½ *a*	5½ *b* Hawker Sid. £1	38/6	38/6	5 3 11
5 *a*	8 *b* Imp. Chem. £1	43/-	43/6	5 19 6
13½ *a*	11½ *b* Imp. Tobacco £1	53/-	52/6	7 12 5o
$2·6 *c*	$1 *a* Int. Nick. n.p.	$71½	$70¾	6 11 4
17½ *c*	17½ *c* J'burg Con. £1	53/9	54/9	6 7 10
5 *a*	10 *b* Lancs. Cotton £1	41/-	41/3	7 5 6
7½ *a*	10 *b* Lon. Brick £1	62/6	62/6	5 12 0
15 *a*	35 *b* Marks & Sp. A 5/-	53/3	53/9	4 13 0
6¾ *a*	11½ *b* Monsanto 5/-	20/6	20/6	4 9 5
6 *a*	14 *b* P. & O. Def. £1	55/6	56/-	7 2 10
17½ *b*	7½ *a* P. Johnson 10/-	30/-	30/-	8 6 8
†100 *c*	†105 *c* Prudentl. 'A' £1	36¾	36¾	5 4 4
175 *b*	50 *a* Rhokana £1	17½	17½	12 17 2
5 *a*	10 *b* Rolls Royce £1	60/7½*	61/3*	4 18 0
15 *a*	†10 *b* "Shell" Reg. £1	83/9	84/4½	6 9 3
8½ *b*	7½ *a* Tube Invest. £1	55/3	56/-	5 7 2h
20 *b*	2½ *a* Tur. Newall £1	51/-*	53/-*	4 14 4m
5 *a*	8½ *b* Unilever £1	47/9	48/1½	5 12 3
12½ *c*	87½ *c* Union Castle £1	23/6	23/6	6 7 8
5 *a*	5 *b* Union Disc. £1	42/-	42/-	4 15 3
†4½ *a*	†6½ *b* Utd. Molass. 10/-	29/3	28/9	6 19 6q
7½ *a*	12½ *b* U. Sua Betong £1	35/-	35/-	11 8 7
2½ *a*	12½ *b* Vickers £1	48/6	49/-	6 2 5
15 *a*	40 *b* Woolworth 5/-	54/-	54/6	5 0 11

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*g*) Div. 17½% for 4 months. Yield basis 10g%. (*h*) Yield basis 15%. (*k*) On doubled capital. (*m*) Yield basis 12½%. (*o*) Yield basis 20%. (*p*) Yield basis 11½%. (*q*) Yield basis 20·06% gross. (*r*) Yield basis 7½%. * Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 6, 1953, total ordinary revenue was £42,882,000, against ordinary expenditure of £81,104,000 and issues to sinking funds £760,000. Thus, including sinking fund allocations of £4,852,000 the deficit accrued since April 1, 1953, was £84,853,000 compared with a deficit of £128,775,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54 £'000	April 1, 1952 to June 7, 1952	April 1, 1953 to June 6, 1953	Week ended June 7, 1952	Week ended June 6, 1953
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1782,250	207,618	194,772	9,604	11,690
Sur-tax	127,000	17,800	16,900	1,300	900
Death Duties	160,000	29,800	34,700	1,900	1,700
Stamps	52,000	9,800	10,500	500	900
Profits Tax & EPT	214,000	49,200	31,200	5,000	2,000
Excess Profits Levy	99,500	...	7,550	...	1,400
Special Contribution and other Inland Revenue	1,000	430	220	30	...
Total Inland Rev.	2435,750	314,648	295,842	18,334	18,590
Customs	1044,300	191,331	191,822	16,250	16,660
Excise	680,480	143,884	142,415	3,220	3,145
Total Customs and Excise	1724,780	335,215	334,237	19,470	19,805
Motor Duties	69,000	6,232	7,241	523	717
PO (Net receipts)	2,685	2,100	4,700	100	500
Broadcast Licences	16,000	1,900	2,200	...	...
Sundry Loans	25,000	2,157	1,942	74	...
Miscell.	95,000	14,568	15,747	42	3,270
Total Ord. Revenue	4368,215	676,820	661,910	38,543	42,882
SELF-BALANCING					
Post Office	224,615	36,000	37,400	2,700	2,900
Income Tax on EPT Refunds	3,300	1,337	1,139	85	1
Total	4596,130	714,157	700,449	41,328	45,783
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	129,359	138,039	33,443	33,640
Payments to N. Ireland	48,000	7,202	7,346	1,360	1,469
Other Cons. Funds	10,000	778	790	...	95
Total	673,000	137,339	146,175	34,803	35,204
Supply Services	3586,286	663,925	595,735	50,500	45,900
Total Ord. Expend.	4259,286	801,264	741,910	85,303	81,104
Sinking Funds	...	4,331	4,852	330	760
Total (excl. Self-Balancing Expd.)	4259,286	805,595	746,763	85,633	81,864
SELF-BALANCING					
Post Office	224,615	36,000	37,400	2,700	2,900
Income Tax on EPT Refunds	3,300	1,337	1,139	85	1
Total	4487,201	842,932	785,302	88,418	84,765

After decreasing Exchequer balances by £373,425 to £2,976,928, the other operations for the week increased the National Debt by £41,423,691 to £26,200 million.

NET RECEIPTS (£ THOUSAND)

Tithe Act, 1936, s. 25	220
Cotton (Cent. Buying) Act, 1947, s. 21(3)	4,250
	4,470

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1953	1,100
EPT Refunds	2
Local Authorities Loans Act, 1945, s. 3(1)	4,000
New Towns Acts, 1946 and 1952	1,560
Development of Inventions Act, 1948, s. 11(1)	55
Town and Country Planning Acts, 1947	200
Finance Acts, 1946 and 1947: Postwar Credits	369
	7,286

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	50,912	2½% Def. Bonds	600
Nat. Savings Certs.	200	3% Def. Bonds	1,992
3½% Def. Bonds	1,090	3% Term. Annuities	1,277
Tax Reserve Certs.	3,584	Other debt	
		Internal	711
		External	12
		Ways and Means Advances	9,770
	55,786		14,362

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
June 7	2,750·0	1,503·4	307·3	...	...	4,560·7
1953						
Mar. 7	2,840·0	1,491·4	277·8	...	...	4,609·3
„ 14	2,820·0	1,540·5	275·1	...	...	4,635·6
„ 21	2,810·0	1,569·5	332·2	...	...	4,711·7
„ 31	4,406·6		303·5	3·8	...	4,713·9
April 11	2,880·0	1,585·3	243·7	...	...	4,709·0
„ 18	2,950·0	1,542·3	298·6	...	...	4,791·0
„ 25	2,990·0	1,514·8	288·2	...	...	4,793·0
May 2	3,010·0	1,478·8	256·6	...	...	4,745·4
„ 9	3,030·0	1,462·3	238·6	3·5	...	4,734·4
„ 16	3,050·0	1,484·2	236·0	...	...	4,770·2
„ 23	3,080·0	1,467·5	247·1	...	...	4,794·6
„ 30	3,100·0	1,440·9	255·1	...	...	4,796·0
June 6	3,130·0	1,461·9	244·6	0·7	...	4,837·2

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1952					
June 6	240·0	306·5	240·0	48 4·09	71
1953					
Mar. 6	240·0	326·9	240·0	48 0·25	65
„ 13	250·0	256·4	250·0	47 11·74	57
„ 20	260·0	351·0	260·0	47 11·78	63
„ 27	250·0	334·6	250·0	48 0·20	67
April 2	230·0	322·6	230·0	48 3·93	60
„ 10	250·0	357·6	250·0	48 4·20	62
„ 17	230·0	360·8	230·0	48 3·51	45
„ 24	210·0	330·3	210·0	47 8·04	58
May 1	210·0	351·1	210·0	47 7·37	34
„ 8	240·0	347·4	240·0	47 7·83	56
„ 15	250·0	345·8	250·0	47 8·01	62
„ 22	250·0	343·3	250·0	47 7·94	62
„ 29	260·0	346·9	260·0	47 4·01	70
June 5	270·0	339·3	270·0	47 4·52	74

On June 5th applications for 91 day bills to be paid from June 8 to June 13, 1953, were accepted dated Monday to Saturday as to about 74 per cent at £99 8s. 2d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £270 million were offered on June 12th. For the week ended June 13th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals 9 weeks ended: May 31, 1952	Totals 9 weeks ended: May 30, 1953	Week ended May 30, 1953
SAVINGS CERTIFICATES			
Receipts	21,100	32,800	1,800
Repayments	27,500	25,200	3,800
Net Savings	*Dr 6,400*	7,600	*Dr 2,000*
DEFENCE BONDS			
Receipts	7,270	14,105	1,000
Repayments	12,905	16,530	1,165
Net Savings	*Dr 5,635*	*Dr 2,425*	*Dr 165*
POST OFFICE AND TRUSTEE SAVINGS BANKS			
Receipts	125,036	131,858	12,054
Repayments	136,167	152,840	16,467
Net Savings	*Dr 11,131*	*Dr 20,982*	*Dr 4,413*
Total Net Savings	*Dr 23,766*	*Dr 15,807*	*Dr 6,578*
Interest on certs. repaid	7,458	7,306	1,102
Interest accrued	23,188	22,303	2,449
Change in total invested	*— 8,456*	*— 912*	*— 5,231*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

JUNE 10, 195[illegible]

	£		£
NOTES ISSUED:—		Govt. Debt	11,015,100
In Circulation	1542,621,397	Other Govt. Securities	1585,761,922
In Banking Department	57,735,426	Other Securities	708,139
		Coin (other than gold)	2,514,839
		Amount of Fid. Issue	1600,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1600,356,823		1600,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	335,629,439
Rest	3,517,105	Other Securities	23,029,495
Public Depts.	61,249,035	*Discounts and Advances*	*8,880,597*
*Public Accts.**	*16,783,762*	*Securities*	*14,148,893*
H.M. Treas. Special Acct.	*44,465,273*		
Other Depts.	338,965,063		
Bankers	*267,388,383*	Notes	57,735,426
Other Accts.	*71,576,780*	Coin	1,889,848
	418,284,203		418,284,203

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	June 11	May 27	June 3	June 10
ISSUE DEPT.:—				
Notes in circulation	1,425·6	1,532·4	1,543·6	1,542·6
Notes in banking department	24·7	17·9	56·7	57·7
Government debt and securities*	1,446·7	1,546·7	1,596·8	1,596·8
Other securities	0·8	0·8	0·7	0·7
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT.:—				
Deposits:—				
Public Accounts	14·3	15·7	11·8	16·8
Treas. Special Acct.	17·0	45·7	44·4	44·5
Bankers	291·0	260·3	267·1	267·4
Others	68·8	71·0	70·5	71·6
Total	391·1	392·7	393·8	400·3
Securities:—				
Government	342·1	364·0	335·0	335·6
Discounts, etc.	20·9	6·0	6·5	8·9
Other	19·9	20·9	11·8	14·4
Total	382·9	390·9	353·3	358·6
Banking dept. reserve	26·2	19·8	58·6	59·6
" Proportion "	% 6·7	% 5·0	% 14·8	% 14·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,550 million to £1,600 million on June 3, 1953.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1953	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 4	74·00	85·25	157 10	89 4
„ 5	74·00	85·25	155 13	88 9
„ 6	Markets closed		157 15	89 9
„ 8	74·00	85·25	158 5	89 6
„ 9	74·00	85·25	160 10	90 10
„ 10	74·00	85·25	160 4	91 0

ROYAL DUTCH PETROLEUM COMPANY

N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

(Founded in 1890)

ANNUAL GENERAL MEETING, JUNE 30, 1953

BALANCE SHEET AS AT DECEMBER 31, 1952

LIABILITIES		ASSETS		
Share Capital	f 1,998,500,000.—	Shareholding in:—		
Of which unissued	„ 1,039,112,000.—	N.V. De Bataafsche Petroleum Mij.	nom. f 330,000,000	
Issued and fully paid	f 959,388,000.—	The Anglo-Saxon Petroleum Co., Ltd.	„ £75,768,597	
4% Preference Share Capital	„ 1,500,000.—	The Shell Petroleum Co., Ltd. and other Group Companies	„ £17,102,400	
Reserve as per Article 4 of the Statutes	„ 131,165,884.19	Total		f 1,310,933,484.34
General Reserve	„ 27,500,000.—	Less: Reserve		„ 101,218,089.86
3½% Convertible Debenture Loan 1951	„ 151,967,700.—			f 1,209,715,394.48
3½% Debenture Loan 1947	„ —.—	Loans to Group Companies		„ 12,584,971.92
Creditors	„ 21,265,661.02			f 1,222,300,366.40
Profit and Loss Account:—		Dividends due from Group Companies		„ 140,448,000.—
Balance Undistributed Profit Previous Year	„ 24,838,245.48	Shares obtained by Forfeiture of Stock Dividends by Limitation		„ 1,434,000.—
Profit for the Year	„ 165,612,349.80	Securities and Cash Invested		„ 53,165,961.72
		Debtors		„ 35,130,629.23
		Cash at Bankers		„ 30,758,885.14
	f 1,483,237,840.49			f 1,483,237,840.49

PROFIT AND LOSS ACCOUNT 1952

EXPENDITURE		INCOME	
Interest: 3½% Convertible Deb. Loan 1951	f 6,578,293.34	Dividends and Interest, less Taxes	f 171,146,767.—
3½% Debenture Loan 1947	„ 9,272.08	Dividends forfeited by Limitation and Dividends on Shares obtained by Forfeiture of Stock Dividends by Limitation	„ 2,608,603.55
3½% Private Loans 1949	„ —.—		
Service of the 3½% Convertible Debenture Loan 1951	„ —.—		
Differences in Exchange	„ 195,377.46		
General Expenses	„ 1,360,077.87		
Profit for the Year	„ 165,612,349.80		
	f 173,755,370.55		f 173,755,370.55

The Hague, May, 1953

The Board of Directors:
J. B. AUG. KESSLER, *Chairman*. W. H. VAN LEEUWEN, J. KLOPPER, E. J. IJZERMAN, W. H. DE MONCHY, C. J. COLLOT D'ESCURY, F. Q. DEN HOLLANDER, J. LUYTEN, A. S. OPPENHEIM, M. P. L. STEENBERGHE, B. TH. W. VAN HASSELT

The Managing Directors:
J. H. LOUDON, *General Managing Director*
H. BLOEMGARTEN
F. A. C. GUEPIN
L. SCHEPERS

PRINCIPAL POINTS OF INTEREST IN THE ANNUAL REPORT ON 1952

During 1952 activities in the different phases of operations of the Royal Dutch-Shell Group and associated companies again were higher than before.

The production of crude oil and natural gasoline, including amounts received under long-term contracts, amounted to 597 million barrels as against 549 million barrels in 1951.

The average rate of throughput in its refineries of 1.6 million barrels daily (595 million barrels per annum) was more than 6 per cent higher than the year before. The production of aviation gasoline showed an increase of about 60 per cent as compared with the previous year.

The total tanker tonnage owned by group and associated companies amounted to 2.5 million tons deadweight, while the total tonnage controlled, including period-chartered vessels, amounted to 6.8 million tons. These figures include 29 vessels with carrying capacities varying betwen 23,000 and 30,000 tons.

The total length of trunk pipelines, including pipelines partly owned, amounted to some 14,500 miles, more than half the circumference of the earth.

Group and associated companies achieved an increase in total sales during 1952 of some 11 per cent, and well maintained their position in the markets of the world.

The net profit of the Royal Dutch Petroleum Company for 1952 of fls. 165,612,349.80 (as against fls. 127,034,126.61 for 1951) makes it possible to pay a dividend of 4 per cent on the preference share capital of fls. 1,500,000 and of 16 per cent on the ordinary share capital of fls. 959,388,000 outstanding on December 31, 1952, 4 per cent of which was made payable as an interim dividend on February 5, 1953.

The annual report of the Royal Dutch Petroleum Company will include as previously financial statements of companies comprising the Royal Dutch/Shell Group of oil companies, compiled on the new basis of consolidation.

The net income for the year was £125 million (£120 million in 1951).

Sales proceeds and other income in 1952 amounted to some £1,616 million as compared with some £1,424 million in 1951. Most of the increased revenue, however, was absorbed by higher operating costs, depreciation and taxes.

Total taxes, both on products and income, charged against the year's operations were £402 million (£364 million in 1951).

Capital expenditure amounted to £188 million (£164 million in 1951).

From the net income of £125 million dividends have been or will be paid to the parent companies, viz., Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited, of £22,168,883 (for 1951 £19,057,327). The balance of nearly £103 million has been retained in the business.

Copies of the full report and accounts can be obtained free of charge from N. M. Rothschild and Sons, New Court, St. Swithin's Lane, London, E.C.4.

COMPANY MEETINGS

UNILEVER LIMITED

IMPACT OF SYNTHETIC DETERGENTS

EASEMENT OF OIL AND FATS PROBLEM

DEMAND CREATED FOR IMPORTANT NEW CHEMICALS

SIR GEOFFREY HEYWORTH ON A MAJOR TECHNOLOGICAL DEVELOPMENT

The annual general meeting of the members of Unilever Limited was held on June 10th at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2. Sir Geoffrey Heyworth presided.

Addressing the meeting, the chairman said:

My lords, ladies and gentlemen:

On former occasions I have spoken to you about subjects which were related to our own business and at the same time had a certain public interest. Today I shall deal with synthetic detergents. Whilst there are some wider aspects to the recent technical changes in the soap industry, my main reason for dealing with synthetic detergents here is the impact they have on the operations of Unilever—a subject about which the shareholders are entitled to get information now that we can make an interim evaluation of the position.

VARIATION OF SOAP CONSUMPTION

The use of soap is universal. It is manufactured in every country where the market is large enough. In those places where there is no local manufacture, soap invariably figures in the list of imports.

The *per capita* consumption of soap does, however, vary considerably from place to place. There are a number of reasons for this variation—the climate, the availability of water for washing or local customs as to the kind and quantity of clothes worn. Above all, the consumption of soap is bound up with the general standard of living. Clearly then, the consumption per head of population and therefore the size of the trade in any locality, depends primarily on the economic circumstances of the people.

To illustrate the extent of the variation I have analysed soap consumption in 28 of the principal countries of the world and the result is broadly as follows:

(1) Four countries with a total population of 533 million and a national income of under $100 *per capita* have a soap consumption averaging 1 lb per head per annum.

(2) Four countries with a population of 67 million whose income per head lies between $100-200 have a soap consumption averaging around 5 lb per head per annum.

(3) Five countries with a population of 142 million with an income between $200-400 *per capita* have a soap consumption averaging around 10 lb per head per annum.

(4) Finally, fifteen countries, with a population of 382 million, and with a *per capita* income of over $400, have an average soap consumption around 25 lb per head per annum; a variation in consumption from 1 lb to 25 lb over a range of income from $100 and under to $400 and over.

This influence of purchasing power on the consumption of soap has always been known to the soapmaker. Quite a small increase in purchasing power in a typical eastern market may permit a substantial expansion in that market. In the wealthier markets, too, any increase in the standard of living has generally led to an increased use of soap.

DEVELOPMENT OF SYNTHETIC DETERGENTS

A world which is universally seeking to improve its standard of living provides an expanding market for the soap trade, and the discovery of new types of detergents which appear to compete with soap for the consumer's favour should be viewed in this light. The point is that they are not competing for a share of a static market. I believe that both soap and synthetic detergents will each have their place in this expanding market, although as I will show, synthetics may tend to replace soap in some parts of the world, while soap is likely to continue as the principal washing medium in other parts.

Until the turn of the present century most soap was produced in the form of hard soap, soft soap or toilet soap.

At that time, hard or soft soap accounted for most of the trade, hard predominating in some countries, soft in others. Toilet soap was somewhat of a luxury in those days.

Hard and soft soaps were used everywhere for nearly all domestic washing, much personal washing and for a number of industrial processes as well.

They give good results, but when used for domestic laundry purposes a certain amount of physical effort is required from the housewife. The scrubbing board, which used to be a familiar feature in the home laundry, is still remembered by many people.

During the last fifty years, in North America and Europe, hard and soft soaps have been largely superseded by soap powders which are a blend of soap and various chemical substances, generally of an alkaline nature.

These powders which have become so important in the last fifty years are more efficient than hard or soft soap, and their ready solubility goes a long way to eliminate the physical effort of wash day. By the beginning of the last war, these soap powders had already captured a substantial proportion of the soap market in North America and Europe.

In the less highly developed countries of Asia and Africa, soap powders have made little or no headway and hard soaps still account for the bulk of the trade. The reason is obvious. Soap powders need to be dissolved in a utensil such as a kitchen copper or bowl, whereas hard soap can be rubbed directly on the clothes. In these countries most housewives do not possess the necessary washing equipment. They do their washing in rivers, and hence soap has to be rubbed on to the clothes.

This, then, was the general picture of the soap trade against which we can consider the development of synthetic detergents.

SYNTHETIC SUBSTANCES LESS VERSATILE THAN SOAP

Within limits, the new synthetic substances resemble soap in that they will do a washing job, but they are, however, less versatile as dirt removers than straight soap. They are excellent for washing woollens and fine fabrics. They are also efficient for washing dishes and for cleaning surfaces. Speaking more generally, they are good emulsifying agents and therefore are good for removing grease. For all these purposes they need only to be diluted to become saleable household products.

All synthetic substances are, however, relatively ineffective when used for the more heavily soiled fabrics in the domestic weekly wash. Their performance in removing dirt from fabrics is poor. It is, therefore, necessary to blend them with certain types of phosphates and other chemicals to produce a detergent suitable for general household use, and today it is in this blended form that most of the synthetic detergents for household purposes are sold. In other words, synthetic substances are best understood as ingredients in the make-up of domestic washing products rather than as complete, universal washers in themselves. Their commonest form is the blended synthetic powder.

For washing clothes the performance of these blended synthetic powders is comparable with that of the blended soap powders, and they are somewhat better than soaps for dish washing and for cleaning surfaces. The housewife therefore tends to regard them as general household cleaners; with soap she is more likely to buy a different specialised product for each washing or household task.

BENEFICIAL PROPERTIES

The main reason for their popularity is the fact that they do not form insoluble precipitates with the salts responsible for the hardness of water, in contrast to soap which forms an insoluble scum tending to adhere to the washing utensils and make a lot of rinsing necessary. Moreover, this very reaction uses up soap. In other words, when washing in hard water an extra amount of soap is required to soften the water over and above what is required for the purposes of washing. Although modern soap powders have gone a long way to suppress this nuisance of scum, the advantage in favour of blended synthetics remains real to all who cannot escape the use of hard water.

One disadvantage of the blended synthetic products is that they are somewhat more expensive to produce than a corresponding soap washing product and this means that a packet of the synthetic product is retailed at a higher price. The fact that the synthetic product goes further when used in hard water may compensate for this higher price, but to some consumers the initial outlay is an important factor in determining a purchase.

In soapmaking, the principal item of cost is the price of oils and fats. Blended synthetic products, on the other hand, are made from materials derived from various branches of the chemical industry where the cost of manufacturing may be as important as the cost of the initial raw material which is put into the process.

Costs of the blended synthetics are, therefore, less likely than soap to be affected by rises and falls in material prices. The relationship between soap and synthetic prices varies from country to country, but in all countries soap costs less and may continue to do so.

In the United States a packet of a blended synthetic product now retails for some 7 per cent more than a soap product. Elsewhere the differential is a little higher: from 12 per cent to 15 per cent in Canada and some European countries including the United Kingdom and Holland, and up to as much as 20 per cent in others.

Although the synthetic products are seen to best advantage when compared with soap in hard water, they are extensively used in soft water areas as well. The fact that many consumers are prepared to pay a higher price for the new products for use in soft water is indicative of their beneficial properties.

POSITION IN LOW PURCHASING POWER COUNTRIES

The position is quite different in countries where mass purchasing power is low such as India and West Africa and where, as I have explained, washing habits are so different. Powders, either soap or synthetic, are of little use here, and we have yet to discover how to make an effective and cheap synthetic tablet.

While I have already shown that the consumption of detergents in these countries can be expected to increase as the standard of living improves, it appears to me that even with a somewhat higher living standard, blended synthetic products are still unlikely to participate in these markets to any great extent. It may be rash to prophesy because new discoveries may alter the picture at any time, but for the time being I think they will be confined in the main to the more highly developed countries.

Apart from the question of price and cost there is a further factor which may have a limiting effect on the acceptance of blended synthetic products, even in markets with a high purchasing power; and that is the prevailing impression that they are hard on the hands.

There is no question but that a number of housewives have found their hands affected by blended synthetic detergents, but it is also true that blended soap products tend to irritate skins which have been softened by prolonged soaking. I imagine that most reputable manufacturers will have satisfied themselves by practical tests as we have done that the synthetic products do not involve greater risks than are incurred with blended soap products. Nevertheless more clinical research as to the effect of detergents on the skin is necessary, and this has been planned by ourselves and other manufacturers on a substantial scale.

WIDE RANGE OF FORMULATIONS

As a factor in the soap industry usable synthetic materials first became available commercially in Germany about 1930. Chemical industries in other countries which, from the beginning, had shown great interest in the new development, produced comparable products very shortly afterwards.

Up-to-date a very large number of different materials have evolved, all of which broadly possess the same detergent characteristics, but which differ in chemical composition and in behaviour in use. Many of these have never gone beyond the research laboratory, but there are several hundred different formulations now in commercial production either in North America or Europe. A particularly wide range is available in North America. In Europe the selection is more limited. Some of these synthetic materials are produced from natural vegetable or animal oils and fats. Others are derived from a petroleum base. Thus, they are manufactured wherever the chemical and petroleum industries have assumed important dimensions.

UNILEVER PROMINENT IN EARLY PIONEERING

Equally with the chemical and petroleum industries, the soap trade showed a practical interest in the new form of detergency from the outset, and while the earliest application of the new products was in industry—particularly the woollen trades—they were quickly tried out for household and personal uses. Soapless shampoos were on sale both in Europe and North America in the early 1930's, and the first domestic washing product appeared in the United States in 1933.

Along with others, Unilever played a prominent part in the early pioneering. We first marketed synthetic shampoos in Germany in 1934 and in Great Britain and Holland in 1935. We followed with light-duty household washing products in Germany and Great Britain in 1936.

The first blended synthetic product suitable for the heavy domestic laundry appeared on the market in the United States in 1946. That the United States manufacturers took the lead in applying the discovery of combining phosphates with synthetic materials was due principally to the war, which, besides leading to the suspension of most research work of this kind in Europe, also delayed the establishment of production facilities both for the manufacture of the chemical ingredients and of the blended washing product. It was three or four years before Europe could follow the American lead.

The domestic use of blended synthetics in the United States and Canada has therefore developed far beyond the point now reached in Great Britain and Europe.

In 1952 they accounted for as much as 43 per cent of the sales by weight of all domestic detergents in the United States compared with 22 per cent in Great Britain and 23 per cent in Holland. (Toilet soaps are excluded from the calculation, and allowance has been made for the low synthetic content of some products.)

PROCESS OF CHANGE

The blended synthetic detergents have, to a limited extent, increased the total domestic consumption of washing products, but in the main they have replaced soap. It is, moreover, clear that the process of change is not yet completed. Even in the United States the share of the market held by the synthetic products continues to increase.

It is at present impossible to say when, or at what point, equilibrium will be reached. It is felt by some authorities, particularly in North America, that the sale of soap will be reduced to a small residual figure. Others consider that soap will continue to hold a significant share of the market, although smaller than today. It is pointed out that a reduction in soap output is likely to lead to lower prices of oils and fats from which soap is made. This would make soap still more competitive in price. To some extent this has already happened in some countries, particularly in the United States. Certainly national habits and preferences, as well as economic circumstances, differ sufficiently to make it inadvisable to suggest that Europe will follow the American trend all the way.

In any case, new discoveries in the laboratories may change the position yet again. They may swing the balance back in favour of soap or still more in favour of synthetics. In the meantime, the fact that some consumers prefer blended synthetic products and others soap makes it clear that the soap industry must continue to back both. It is the consumer who will have the final say.

SOAP ADVERTISING A LIVELY AFFAIR

Although the housewife's acceptance of blended synthetic detergents is based on her appreciation of the advantages they offer her when she uses them, her acceptance has certainly been accelerated in all countries by the heavy advertising by which their merits have been made known.

The soap trade is by nature a highly competitive business, in which advertising has long played an important part. This is due mainly to the very individual nature of the housewife's home washing problems. There are so many factors which make each person's weekly wash different from next door—the presence or absence of children, the size of the family and, of course, differing tastes in clothes. Each housewife, in consequence, views her washing from a highly individual standpoint and likes to suit herself in what she buys. It is difficult to convince her that a change to a new brand would be to her advantage.

As a result, soap advertising has always been a lively affair. The advertising of a new product caused as much furore fifty years ago as it does today.

The tempo of marketing the new blended synthetic detergents is, however, faster than it used to be with soap. This is partly due to the normal forces of competition and partly to the fact that manufacturers can see there is much to be gained by establishing the new trade as quickly as possible. A considerable capital investment is required in the chemical industry to produce the synthetic and chemical ingredients which go to make the new domestic detergents and the full advantage of low production costs is not achieved until the new equipment is fully utilised.

Moreover, the new products call for considerable readjustment in the soap factories and it is desirable, in order to prevent waste, to determine the extent of the new market as quickly as possible.

Introductory advertising, the cost of which is undoubtedly heavy, has to be regarded as a kind of capital investment which will have a beneficial effect on manufacturing costs in the long run, because the blenders and suppliers of ingredients can plan with greater certainty the required outputs.

The effect on the soap factories has not been so much a matter of building completely new plants as adapting and partially reconstructing existing ones. Some parts of a soap factory, however, cannot be used for blended synthetic products. Completely new equipment is generally required for mixing the ingredients and drying the finished powder. On the other hand, the very expensive packing machinery requires little or no adaptation.

SUBSTANTIAL CAPITAL EXPENDITURE

Unilever's capital expenditure for making the new products has been substantial. It has amounted to nearly £8 million by the end of 1952, in Europe and North America. It would, however, be quite unreal to regard this figure as an additional capital cost to the business which would not have been incurred had the new products never been discovered. In such a case, the normal development of

the soap trade would obviously have required additional capital expenditure—although not quite on the same scale.

In the long run, the capital cost of establishing and maintaining factories for producing blended synthetic detergents should be no greater than for soap factories of comparable output.

In the long run, too, I do not expect the return on investment in our industry to be affected either favourably or adversely by the development of synthetic detergents, although for the time being advertising expenditures involved in pioneering the new products will continue to be heavy.

STIMULATION OF SCIENTIFIC THOUGHT

To turn now to the technical side, the new detergents, as might be expected, have stimulated scientific thought on detergency and the washing process. There has been a marked re-emphasis of the more fundamental chemical aspects of the industry. The work involved in determining new analytical procedures is considerable. Soap analysis has been a subject for the text book for many years; now each new synthetic substance presents a fresh problem that has to be dealt with on its own merits.

The change in emphasis in the laboratory is of special importance to the industry. The chemistry of washing products seemed to have been so thoroughly explored that the scientist appeared to have relatively little future scope. It was the salesmen and the advertising experts who seemed to play the decisive roles. While the marketing people are no less important today, the new products have introduced a more balanced perspective to the industry and the scientist can look forward to a future as absorbing and exciting as can be found anywhere in the chemical trade.

It will be clear from what I have said that the pioneering of the new developments is being undertaken by a number of separate industries working in parallel. Various chemical manufacturers have discovered a whole series of synthetic detergent substances and are engaged in solving the intricate problems connected with producing them at a cost which will make them saleable. The soap industry has applied its knowledge of washing problems, and more particularly of the requirements of the housewife, to putting the new synthetic substances to practical use in the preparation of domestic and other washing products that meet the user's needs.

But in making this distinction between the chemical and soap industries, I would emphasise that no hard and fast line can be drawn between them.

The manufacture of synthetic substances is not confined to the chemical industries, nor is the creation of blended synthetic detergents a matter only for the soap industry. There are chemical manufacturers who produce blended synthetic products for retail sale and some soap manufacturers now produce part of their own requirements of the synthetic substances.

This means that a new competitive element has been introduced into the detergent industry. If the soap manufacturer loses efficiency, the chemical manufacturer can and will step into the breach and *vice versa*.

Both in the chemical and soap industries the pioneering has, in the main, been in the hands of the larger manufacturers, primarily because the expenses of pioneering have tended to be beyond the means of the smaller firms. This is particularly true in the case of the soap industry, because of the heavy cost of persuading the housewife to change her habits.

This may tend to create the impression that synthetic detergents involve a larger scale of operation than was the case with soap and will lead in time to the disappearance of the small soapmaker. This will not necessarily be so; in fact a number of smaller companies have already successfully taken up the manufacture of blended synthetic detergents both in America and Europe. While pioneering may be expensive, the cost of introducing new brands need be no higher than that of soap, once the housewife's taste for the new products is established. Moreover, some household synthetic products can be produced with modest expenditure on plant.

The supply of skilled technical knowledge is, however, still relatively scarce. It is difficult for a manufacturer to engage management with experience and knowledge of the production of blended synthetic detergents. But the supply of this knowledge will grow, and, as it does, the demand on the part of the housewife for variety of choice will offer a market for the enterprising new manufacturer, large or small.

EFFECT UPON WORLD DEMAND FOR FATS AND OILS

One of the wider implications which the development in the synthetic detergent field has is its effect upon the world demand and market for oils and fats. I estimate that the total world sales (excluding Russia) of blended synthetic products in 1952 was rather more than 1 million tons—about 800,000 tons in North America and 300,000 in Europe. Sales elsewhere were of relatively minor proportions.

I estimate that in the same year sales of soap were rather more than 5 million tons.

It might be assumed that, had synthetic detergents never been discovered, the world consumption of soap would have been commensurately greater. Whether this would have been so cannot be proved. All that can be said is that most of the consumption of blended synthetic products has been for purposes for which soap would previously have been used. But if this demand had had to be met entirely by soap, it would have required an additional world production of oils and fats of about half a million tons.

World production of oils and fats other than butter reached a figure of about 19½ million tons in 1952. An extra half million tons, or 2½ per cent, could possibly have been achieved, but probably a somewhat higher level of world prices would have been necessary to bring it into being.

Without blended synthetic detergents it is probable that the prices of both soap and margarine might have been rather higher than they are now. It is also probable that some of the additional oils and fats could only have been obtained from the United States—at the expense of a wider dollar gap or a reduced expenditure of dollars on other commodities.

It is possible that the de-rationing of margarine—which is now complete everywhere except in Britain, Finland, Israel and Austria—might have taken longer and so might the de-rationing of soap.

Whatever might have happened we can certainly say that blended synthetic products have eased the postwar problem of meeting the world demand for oils and fats at a more reasonable level of prices.

FUTURE DEMAND

I do not know whether the future demand for oils and fats for soap-making purposes will increase or decrease. One would expect a further decrease in North America and Europe but, as I suggested earlier, the increase in the tropical countries might be very great if the standard of living there were to rise by even a small amount.

If demand for soap contracts it will, of course, have an important effect on the world production of glycerine, a by-product of soap-making.

Between 1950 and 1952, world glycerine production (again excluding Russia) has already been reduced from about 230,000 tons to 210,000 tons, although not all this reduction can be attributed to a lower soap production. This has not so far led to a glycerine shortage, as the demand has not been maintained at the high level which prevailed in 1950. But it is clear that there is now little margin of safety. A further reduction in supply, coupled with an increase in demand, could easily result in quite a serious shortage.

A shortage might, in fact, have developed by now but for the fact that a new plant was established a few years ago in the United States for synthesising glycerine from a petroleum base. This plant has recently contributed some 10 per cent towards total world production.

So far I have dealt with the oils and fats position in general and have shown that the growth of blended synthetic detergents has eased the postwar shortage of oils and fats. It has, however, resulted in special local difficulties.

The soapmaker can use a wide variety of materials, some of which, like technical tallow, are not suitable for edible purposes, while others, like palm oil, coconut oil and palm kernel oil, are equally suitable for edible use.

In the United States, where there is a very large indigenous production of technical tallow which depended largely on the local soap trade to absorb it, the reduced demand has led to a serious decline in market prices, which today are, in fact, below the prewar level.

In Europe something similar is happening to the fatty acids which arise as residues from the refining of oils for edible purposes. These residues are inedible, but they make admirable soap-making material, provided they do not exceed a certain percentage of the total. The rapid rise in margarine production has led to an increasing supply of these fatty acids, at a time when soap-making demand is contracting. The result has been a superabundance of refinery fatty acids in Europe and a fall in their market prices.

SUMMARY OF POSITION

I have now outlined the more important aspects of what is a major technological change in the detergent industry. They can be summarised as follows:

(1) The new blended synthetic detergents have achieved a wide acceptance in North America and Europe.

The new products have not, however, become a serious factor in those countries where standards of living are still low.

(2) The growth of blended synthetics tends to lessen the traditional dependence of the soap industry on oils and fats and this has undoubtedly helped to ease the scarcity of oils and fats which prevailed for some years after the war.

(3) The new products have created a demand for important new chemicals.

(4) With their new interest in the production of materials for the manufacture of blended washing products the chemical industries have become potential competitors to the original soap industry, and soap manufacturers have the opportunity to extend into chemical manufacture.

(5) Above all, blended synthetic detergents have made the soap industry as a whole more dynamic. They have created new and fundamental problems which require the industry to re-examine its methods. This may well lead to greater possibilities of expansion.

The chairman concluded by moving the adoption of the report and accounts.

Sir Herbert Davis, CBE, vice-chairman, seconded the resolution and it was carried unanimously.

The proposed final dividend of 8½ per cent on the ordinary stock and a dividend of 6 per cent on the deferred stock payable on June 22, 1953, were approved, the retiring directors (except Dr C. H. Clarke who had reached retiring age and did not seek re-appointment) were re-appointed and the remuneration of the auditors, Messrs Cooper Brothers and Company and Messrs Price Waterhouse and Company, who had been re-appointed under the provisions of the Companies Act, 1948, was fixed.

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

UNILEVER NV

The annual general meeting of the members of Unilever NV was held on June 10th at Museumpark, Rotterdam, Mr P. Rykens presided and made a speech in similar terms to that delivered by Sir Geoffrey Heyworth at the annual meeting of Unilever Limited, reported above.

The report and accounts for the year 1952 were adopted. The proposed final dividend of 7½ per cent (being the equivalent of the final dividend for the same year to be paid by Unilever Limited to its ordinary stockholders calculated in accordance with the provisions of the Equalisation Agreement) was approved, the retiring directors, except Dr C. H. Clarke, were re-appointed, Mr A. D. Bonham-Carter and Mr J. F. van Moorsel were appointed directors and the auditors, Messrs Price Waterhouse and Company and Messrs Cooper Brothers and Company, were re-appointed.

THE LICENSES & GENERAL INSURANCE

MR RONALD GILBEY'S ADDRESS

The sixty-third ordinary general meeting of The Licenses & General Insurance Company, Limited, was held on June 10th in London.

Mr Ronald Gilbey (the chairman), who presided, said:

It will be seen that 1952 closely follows preceding years in showing a continuity of progress, with £190,652 increase in premium income to a figure of £2,325,116; with interest earnings higher at £90,180.

The achievement of a new high level of total assets at over 5 million pounds must not pass unnoticed.

In the Life department the year has added to the inherent strength of this section of our business, the funds improving to a figure of £1,157,928.

On the general side of the business, the Fire department has benefited by an income increase of £82,904. Claims cost has not varied much from the previous year with a percentage of 43.3.

It will be appreciated that each successive advance in premium in every department requires an adjustment in the reserve for unexpired risk, so that in these present accounts the Fire revenue contributes with an addition of £33,161. This reserve, as well as the sum required for outstanding claims, having been comfortably provided, enables a transfer to profit and loss of £60,128. This compares with £60,366 in the previous year.

The report was adopted and a final dividend of 25 per cent, making 40 per cent for the year, was approved.

CONSTRUCTORS LIMITED

PROFITS FORECAST EXCEEDED

MR R. S. DYBALL ON THE CONTINUED DEMAND

The thirty-first annual general meeting of Constructors Limited was held on June 11th at Nickel Works, Tyburn Road, Erdington, Birmingham.

Mr R. S. Dyball, chairman and joint managing director, presided.

The following is his statement, which had been circulated with the report and accounts for the year ended December 31, 1952:

Ladies and gentlemen,—When permission to deal in the ordinary shares of the company was obtained in October of last year, the directors gave a forecast to the effect that in the absence of unforeseen circumstances the group profits for 1952 would exceed the average of the group profits for the four years 1948 to 1951 of £122,141 before taxation. I am pleased to report that the actual profit for 1952, after all charges, including a further transfer of £6,000 to plant replacement reserve, was £126,072, compared with £111,497 in 1951.

The charge for taxation is £75,465, and after sundry appropriations, which are shown clearly in the directors' report, there is a disposable balance on the group profit and loss account of £146,296.

The preference dividends were paid on the due dates and an interim dividend of 5 per cent, less income tax, was paid during the year on the ordinary shares. The board recommends a final dividend of 20 per cent, less income tax, which leaves a balance on the group profit and loss account to carry forward to next year of £121,527, against £100,480 brought in.

THE ACCOUNTS

Before I leave the profit and loss account there are two unusual items to which I should refer. First, in the profit and loss appropriation account of the parent company you will see credited an amount of £35,000, being net dividends from subsidiary companies declared out of profits of earlier years. This has no special significance and has been done simply to pass over to the parent company profits of some of the subsidiaries which have accumulated over previous years to an amount far in excess of the amount required to finance the companies concerned.

To explain the second unusual item I shall have to refer back to the report of the auditors given with the particulars attached to the offer for sale of the ordinary shares. The auditors stated that the profits certified were after making adjustments for, *inter alia*, "overhead expenses relative to valuations of work-in-progress at accounting dates on the basis agreed subsequently for taxation purposes."

This adjustment was necessary as the company had, in the past, always valued its work-in-progress at cost of materials and labour only although overhead expenses relative thereto had been included for taxation purposes. In preparing the accounts now submitted the directors have followed the procedure adopted in the statement of particulars and have included overheads in the valuation of work-in-progress at December 31, 1952. In order that the profit for 1952 is not distorted by this change in the basis of valuation the work-in-progress at the commencement of 1952 has been adjusted by the amount of overhead expenses attributable thereto, and you will see that the resultant surplus has been transferred on the balance sheet to general reserve—£21,528 in the balance sheet of the parent company and £25,228 in the consolidated balance sheet of the group. I should add that this adjustment was taken into account when making the forecast of the profits above referred to.

Turning to the consolidated balance sheet you will see that the fixed assets have, after depreciation, risen from £267,386 to £292,822, and the net current assets have increased from £216,019 to £276,098.

I must report that during the current year, owing to the increase in steel deliveries in stocks and work-in-progress, due largely to unbalanced supplies for certain government contracts, it has been necessary to increase the company's bank facilities.

NEW ACQUISITION

You will have read from the statement circulated recently that your company has acquired the whole of the share capital of Pratt Brothers, Limited. For some time it has been the wish of your directors to undertake the galvanising of certain of the company's products instead of placing this work out, and the erection of a galvanising plant on the company's premises had been considered. Fortunately, the opportunity arose for the purchase of Pratt Brothers, Limited, who have a modern galvanising plant, and your directors decided this was technically and financially a better proposition than the installation of its own plant.

The demand for the group's products remains satisfactory, and the orders in hand at this date are in excess of last year, as is also the output, though I feel it right to mention that profit margins are somewhat keener. There has been some setback in A. W. Chapman, Limited, manufacturers of sliding seat mechanisms, owing to the deferment of deliveries to the motor trade.

I am pleased to be able to report that in spite of the political upheavals which have occurred in the steel trade, deliveries have considerably improved, which position I sincerely hope will be assisted by the recent derationing of steel.

The group is still obtaining a fair share of overseas trade, especially through Poles, Limited.

TAXATION

I referred last year to the various burdens placed on industry by taxation, and it is very pleasing to note that there has been a slight reduction in tax, and the termination of the excess profits levy will, I am sure, be welcomed by all. The restoration of initial allowances will also help industry to instal new and modern machinery which is so essential to compete with our foreign competitors.

Before closing I should like to thank the directors, the staff, and employees for the excellent work they have done and the very special efforts made to keep the works running at full capacity under the difficulties of supply to which I have already referred.

The report and accounts were adopted and the final dividend of 20 per cent, making 25 per cent for the year, was approved.

The retiring director, Mr J. A. Pinches, was re-elected, and, the other formal business having been duly transacted, the proceedings terminated.

UNION CORPORATION, LIMITED

MR P. M. ANDERSON'S SPEECH

The annual general meeting of Union Corporation, Limited, was held in Johannesburg on May 26, 1953, Mr P. M. Anderson presiding.

In moving the adoption of the report and accounts for the year ended December 31, 1952, the chairman said:

Our gross profit for the year was £2,045,254, or £253,446 less than for 1951. Dividends and interest received rose by £142,452 to £1,848,328, but net realised profit on shareholdings, fees and sundry receipts, after charging expenses, fell by £395,898 to £196,926. The amount provided for taxes on the profits for the year is £818,300, which is substantially less than the amount of £1,153,000 provided in the previous year. Even this reduced provision is likely to be somewhat in excess of requirements as a result of the favourable changes in the United Kingdom 1953 Budget which was introduced after the accounts were closed. The net profit after taxation increased by £75,431 to £1,058,145. Out of this profit your directors have considered it desirable to appropriate £400,000 to Exploration Reserve which, after deducting £281,050 expended during the year, now stands at £597,888. This increase in the reserve is desirable in view of the Corporation's heavy exploration programmes.

In July, 1952, each of the Corporation's Ordinary shares of 12s. 6d. was sub-divided into five Ordinary shares of 2s. 6d. each. Dividends declared thereon for the year amounted to 1s. 4d. per share, free of United Kingdom income-tax, compared with 1s. 3.6d. per share (6s. 6d. per 12s. 6d. share) for 1951. These dividends absorbed £620,000, leaving £351,686 to be carried forward to the new account, against £313,541 brought forward from 1951.

As usual, before turning to the affairs of the companies under our administration, I would like to review briefly the results of operations during the past year by the South African gold-mining industry, in which the Corporation's chief interests continue to be centred.

The average price received by the industry for the output of gold during the year was 255s. 5d. per ounce fine, or 5s. 6d. less than in 1951. Owing to fluctuations in the dollar/sterling exchange rate, the standard price actually rose slightly, but the benefit from this was more than offset by the substantial reduction in the premium on gold sold for industrial and artistic purposes.

The tonnage milled by the Witwatersrand and O.F.S. gold mines in 1952 increased by 2.3 per cent to 60,000,500 tons, and the output by 2.5 per cent to 11,299,986 ounces fine, as compared with the previous year. The increase in tonnage milled and in output is due to the production of four new mines, which more than offset the fall in production of the older mines of the Witwatersrand. Notwithstanding the lower price received for gold, the working revenue rose slightly as a result of the greater output to the record figure of £144,970,434. On the other hand, total working costs rose by more than £9 million to £102,525,003, so that the working profit declined by more than £8 million to £42,445,431, which includes £3,646,865 premium received on gold sold for industrial and artistic purposes. From this profit, a little over £7 million was appropriated for capital expenditure and miscellaneous items, which is about £3 million higher than in the previous year. Provision for taxation and the government's share of profits is estimated at £15,337,000. Net dividends distributed to shareholders decreased by just under £3 million to £19,804,928.

The industry has had to contend during the year under review with the problems of higher working costs, and of shortages of European and native labour and electric power. Working costs for the whole industry rose during 1952 by 2s. 4d. per ton milled to 34s. 2d., the increase being primarily due to the higher costs of stores and materials and to a rise in the cost-of-living allowances paid to European employees. A small part of the increase results from the effect on the average figure for the industry of the present high working costs of the four new producing mines. The increase in costs rendered unpayable further large quantities of marginal ore previously included in ore reserves, so that although the total development footage accomplished by the industry in 1952 was almost 7 per cent higher than in 1951, this was insufficient to maintain the former level of ore reserves which decreased by approximately 8 million tons to 176,205,355 tons. In keeping with the higher pay limit, the average grade of ore reserves was slightly higher at 4.96 dwt per ton.

Although the number of natives in service during 1952 showed a small increase over the previous year, the native labour supply was still much below the requirements of the industry which is at present operating, in terms of tonnage milled, at only about 85 per cent of capacity. The shortage of native labour in the established producing mines is being accentuated by the increasing demands being made on the available supply by the new mines of the Orange Free State and the Far West Rand. The opening up of a number of new mining properties has now reached an advanced stage—at least five further mines are expected to commence milling during the course of this year—and their requirements of native labour, particularly for work underground, are now increasing rapidly. If this results in the existing producing mines milling a lower tonnage, the costs per ton on these mines must inevitably increase, due to the incidence of standing charges. With the industry today milling only 85 per cent of its capacity, the cost per ton of standing charges is already inflated, and this factor, though frequently overlooked, is one of the underlying causes of the present high level of unit costs in the industry.

The shortage of native labour from which the industry has been suffering ever since the latter part of the war has been due in large measure to the rapid expansion of other activities in South Africa during these years, and the consequent increased demand on the available native labour supply. The effect of this development can perhaps best be illustrated by a comparison of the position today and in 1941, which was a peak year for the gold mining industry. In 1941, when there were 45 producing and two developing mines, the average number of natives at work was just over 356,000. In 1952, with 46 producing mines and no less than 15 developing mines, the average number was just over 293,000. The number of natives available for work underground, on which production depends, dropped even more sharply, from 279,000 to 209,000, or a decrease of just over 25 per cent. On the other hand, according to figures published by the Union of South Africa Bureau of Census and Statistics, the number of natives employed in the manufacturing and building industries, and by the South African Railways and Harbours, in 1940-41 totalled only 197,000, or about half the number employed in the gold mining industry. By 1949-50 this had more than doubled, and had reached the high figure of 411,000, or nearly one and a half times the gold mining industry's native labour force at the time. This represents an increase in demand by these activities of over 100 per cent, or an average of about 12 per cent per annum. More recently the rate of increase, while still appreciable, has been somewhat reduced. Today, it appears that the manufacturing industries are no longer expanding at their former rapid rate, but are entering a quieter period and one of consolidation.

Much of this industrial expansion took place during a period of inflation and sharply rising world commodity prices. During such a period many manufacturing industries were able, unlike the gold mining industry, to offer increasingly higher cash wages, since a large proportion of the cost could be passed on to the consumer. There are signs that this period is now ending, and consequently it is possible that a greater proportion of the native labour available may gradually come into the gold mining industry. It is hoped, too, that measures being taken within the gold mining industry to increase its native labour supply, including certain increases in remuneration which took effect from the beginning of this month, will help to ease the problem in time.

In passing, it is worth noting that, notwithstanding the drop of over 25 per cent in the underground native labour force which I have already mentioned, and the increased number of developing mines, the tonnage milled in 1952 was only about 11 per cent less than in 1941. This speaks well for the work done to effect economies in the use of the available labour and to increase efficiencies all round.

In my address last year I referred to the arrangements made by the industry to meet the shortage of electric power. These arrangements were continued in 1952, and enabled the industry to maintain production, but the disruption of normal operations has contributed in some small measure to the increase in working costs.

I will now touch briefly on the affairs of the gold mining companies under our administration and of some other companies in which we are interested.

GOLD INTERESTS

East Geduld Mines, Limited.—The ore milled in 1952 was 1,725,000 tons, and the net profit was £2,029,231. Dividends totalling 4s. 1d. per unit of stock were declared, and £573,494 was carried forward.

Geduld Proprietary Mines, Limited.—The ore milled was 1,253,000 tons, and the working profit therefrom £468,733. Income from investments, principally from holdings in East Geduld Mines and Grootvlei Proprietary Mines, was £726,005. The net profit was £1,054,735. Dividends declared totalled 12s. 6d. per share, and £376,948 was carried forward.

The Grootvlei Proprietary Mines, Limited.—The tonnage milled was 2,316,000 tons, and the net profit was £1,621,425. Dividends totalling 2s. 6d. per unit of stock were declared and £663,210 was carried forward.

Marievale Consolidated Mines, Limited.—The tonnage milled was 723,000 tons, and the net profit was £506,819. Dividends declared totalled 1s. 8d. per share, and £469,234 was carried forward. The capacity of the reduction plant has been increased by about 9,000 tons per month.

St. Helena Gold Mines, Limited.—The tonnage milled in 1952, the first full year of production, was 598,000 tons, and the working profit therefrom £123,287. Working results have been adversely affected by a number of factors common to the industry and also by the continued need to carry out extensive cementation work in order to seal off water-bearing fissures. In the light of these difficulties the gradual but steady improvement in the mine's position and in the operating results is encouraging for the future.

Van Dyk Consolidated Mines, Limited.—The ore milled was 1,246,000 tons, and the working profit was £188,746. The amount carried forward was £162,268. In the No. 5 shaft area development work done to date, which is small in relation to the area to be explored, has disclosed some payable ore, but so far values have been sporadic with little in the way of continuous payable stretches. Until more is known about this area, on which the future of the mine depends, it is not possible to forecast to what extent it can contribute to the replacement of low-grade ore coming from the old mine. Owing to the slender ore reserve and the inadequate native labour supply the mine is passing through a difficult time.

OTHER MINING INTERESTS

San Francisco Mines of Mexico Limited.—During the year ended September 30, 1952, this company milled 657,000 metric tons of ore—an increase of 60,000 tons over the previous year. This was achieved despite serious cuts in the supply of electric power during the first three months of the year, and a fire in the South shaft, which curtailed production during January, 1952. The accounts for the year ended September 30, 1952, have not yet been published. On February 4, 1953, the sections of the Miners' Union at the company's mines in Mexico submitted a demand for a large increase in pay and benefits. Similar demands were made on all other mining companies in Mexico. After prolonged negotiations a substantial increase was agreed with the delegates of the union, but the workmen refused to ratify the agreement and went on strike. All operations at this company's mines, except essential services, ceased for a fortnight this month, after which the workmen agreed to resume work in return for a slight increase in the terms previously agreed by their delegates.

OTHER INTERESTS

Bay Hall Trust, Limited, declared a dividend of 7 per cent, free of United Kingdom income tax, in respect of the year 1952. At the end of the year the appreciation of its holdings over book cost amounted to £422,412.

British Enka, Limited, in common with other rayon producers in the United Kingdom, was forced to reduce its production in 1952 as a result of a severe recession in trade. After providing approximately £269,000 for depreciation and £104,000 for writing down stocks of raw materials to market value it made a net loss for the year of £95,494, compared with a net profit in 1951 of £419,415. In view of the recovery of business which has taken place in 1953, and the fact that in the previous two years £750,000 was placed to general reserve and the carry-forward increased by approximately £70,000, the directors have transferred £50,000 from general reserve and recommended a dividend of 6 per cent, with a consequent reduction in the carry forward of approximately £110,000.

South African Pulp and Paper Industries, Limited, again increased its production and sales from its Enstra mill. The net profit was £424,149, and dividends declared for the year amounted to 2s. per share. The major part of the large-scale expansion programme at the Enstra mill is now virtually complete, and good progress has been made on the erection of the Tugela mill. It is expected that trial runs of the plant at this latter mill should take place early next year.

EXPLORATION

Exploration work in Tanganyika and in the Bethal and adjoining districts of the Transvaal is being continued, but there is nothing I can usefully add to the information contained in the directors' report.

In conclusion, I should like to take this opportunity of expressing our thanks to the staff of the Corporation, both in London and in Johannesburg, and to the managers, staff and employees of the companies under our administration, for their loyal and efficient services during the past year.

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

NATIONAL BANK OF NEW ZEALAND

BUSINESS WELL MAINTAINED

The annual general meeting of the National Bank of New Zealand, Limited, will be held on July 2nd in London.

The following are extracts from the circulated statement of the chairman, Sir Sydney Parkes, CBE: Last year I explained that a number of special influences had swollen the totals of our balance-sheet. It is satisfactory to be able to report that the effects of these exceptional factors have largely disappeared and that the bank's figures this year reflect a return to more normal conditions in the Dominion. It is a great tribute to the fundamental soundness of New Zealand's economy that this change has been brought about so smoothly and so quickly. At the same time it could not have been accomplished without the co-operation of all concerned in carrying out the wise measures taken under the guidance of the Government to meet the situation.

The net profit brought in after providing for taxation is £219,066, being a small increase on the comparable figure of £214,015 last year. The directors recommend a final dividend of 5 per cent, less UK income tax at 9s. in the £, making a total of 8 per cent, leaving an increased amount of £132,393 to be carried forward to next year's accounts.

The bank's business has been well maintained during the year, and there has been a satisfactory increase in the number of new accounts on our books.

When I addressed you last year the economic conditions of the Dominion and the figures of the banking system had been affected to a marked degree by the exceptionally heavy flow of imports during the previous nine months. I am pleased to be able to say that the position now presents a much more satisfactory picture. The policy of the trading banks, which was supported by the Reserve Bank, of allowing time for last year's surplus stocks to be liquidated in an orderly manner, has been fully justified by the results since achieved. Although the period of adjustment has been a difficult one in most sectors of the economy, the experience has provided a valuable lesson to everyone and business now appears to be working on a sounder basis.

Competition has been keen throughout the retail trade. Sales for the calendar year 1952 were about the same in value as in the previous year, but as retail prices rose during the past year it is evident that the volume of sales was lower than for 1951. There have been no labour disputes of consequence, and the supply of labour is now more satisfactory, although there is still a shortage of skilled workers.

UNION INSURANCE SOCIETY OF CANTON

ASSETS EXCEED £14,300,000

The annual meeting of the Union Insurance Society of Canton, Limited, was held on May 21st in Hong Kong, Mr J. D. Alexander, the chairman, presiding.

The following are extracts from the report and accounts and his circulated statement:

Marine.—The net premiums for the year amounted to £3,398,309. After releasing £150,000 to profit and loss account, the marine fund stands at £4,447,225.

Fire.—The net premiums for the year amounted to £2,702,452; £195,310 has been transferred to profit and loss account. The fire fund stands at £1,483,665.

Accident and General.—The net premiums for the year amounted to £1,493,714; £147,819 has been transferred to profit and loss account. The additional reserve has been increased by £25,000 by the transfer of £15,000 from the society's profit and loss appropriation account and £10,000 from the profit and loss account of a subsidiary company. The accident and general fund now stands at £722,485.

Dividend.—The directors recommend the payment of a dividend of £2 per share, free of Hong Kong Corporation profits tax.

Profit and Loss Account.—Interest and dividends amounted to £329,345 and transfers from underwriting accounts to £493,129. After charging outgoings not brought into account elsewhere, making provision for taxation, and allowing for the minority interests of the outside shareholders of the subsidiary companies, the profit for the year appertaining to the society is £486,581.

Consolidated Balance-sheet.—Total assets amount to £14,394,535.

CHAIRMAN'S STATEMENT

In many parts of the world where we operate, economic conditions were more stable for our business during 1952, and I am happy to be able to report a satisfactory advance in our premium income, which expanded by £743,000 to £7,594,000.

National production in Canada reached a peak level and the wheat crop was a record; our organisation in that progressive country is fully capable of taking advantage of the phenomenal growth which continues to manifest itself there.

Our marine business has continued to expand, although the rate of progress has been retarded considerably, compared with the previous year. This circumstance is attributed to a decline in commodity values, and in a lesser degree to a general recession of business in the world markets.

The marine fund of nearly four and a half million pounds, representing 130.86 per cent of our 1952 premium, is considered fully adequate to meet all contingencies under our marine portfolios.

The fire department has again had a successful year. The account shows a notable increase in the net premium income with a satisfactory profit, although not as high as for 1951.

I should here mention that our interest in the storm and flood disaster which overtook the eastern counties of England in January was not heavy, but in any case the resulting losses will fall for inclusion in 1953 accounts.

The net income in the accident and general account has increased by more than 32 per cent, and the experience in all the main areas where we operate has been very satisfactory.

The report and accounts were adopted.

THE UNITED SUA BETONG RUBBER ESTATES, LIMITED

SIR JOHN HAY ON THE BUFFER STOCK PROPOSALS

The forty-fourth annual general meeting of The United Sua Betong Rubber Estates, Limited, was held on June 10, 1953, at 19, Fenchurch Street, London, E.C.3. The following are extracts from the address by the chairman, Sir John Hay:

The accounts now presented show a fall of over one million pounds as compared with 1951. The primary cause was, of course, a radical change in the price of rubber. For 1951 the average realised price was over 43 pence per lb; the 1952 crop averaged 26.84 pence. No saving could offset such a loss in revenue. Despite many difficulties, however, we succeeded in effecting a reduction of over £70,000 in estate expenditure, while at the same time increasing our rubber and tea crops. The secondary causes were a loss in tea of over £40,000 and the difficulties in operating on certain of our estates in continuing conditions of insecurity.

TAXATION AND DISTRIBUTION OF PROFIT

Dealing with taxation and distribution of profit Sir John Hay said:

In the twelve months under review the Company has operated for 8½ months to earn Government revenue. Two months' earnings are ploughed back into the business, and only one and a half months' profit goes to the stockholder in dividends. Thus is enterprise rewarded and encouraged. Although the rate of UK income tax has been reduced from 9s. 6d. to 9s., the proportion of our profits payable in tax and duty is higher than last year. This is due to the incidence of Malayan export duty which is a tax on output. It is not allowed as a payment on account of income tax. The intention underlying the provision for relief from double taxation is thus frustrated and the rubber industry singled out for discriminatory and oppressive treatment. The ascertainment of such facts need not wait an official enquiry. They are writ so large that he who runs may read. If, for its own reasons, the government of Malaya must retain an export tax, then some arrangement with the government of the United Kingdom should quickly be made, under which payment of export tax is made allowable in the calculations for relief from double taxation. It is unrealistic to expect the rubber producing industry to carry its present crushing burdens and at the same time compete with USA synthetic which receives such strongly contrasting treatment. Appeals to the USA for fair trading conditions have little moral sanction as long as our governments, by confiscatory taxation, seriously impair the competitive powers of the very industry for which that appeal is specifically made.

To the foregoing it may be objected that we succeed in paying a dividend at the rate of 20 per cent. That figure in this instance is particularly illusory. Much of our capital was issued at a time of prosperity at a premium. On the real capital engaged in the business this 20 per cent dividend is equal to 5½ per cent gross and less than 3 per cent net.

THE RUBBER INDUSTRY'S PROBLEMS AND OUTLOOK

Rubber supplies have been in surplus over consumption for more than two years, but happily this surplus for the time being was readily absorbed by purchases for government stockpiles. This abnormal buying is now tailing off to termination and producers become dependent on consumption demand. According to the statistical forecast made by the Rubber Study Group there is in prospect for 1953 an excess of supply over trade's demand of 270,000 tons. It would appear, therefore, that the rubber producing industry is again faced with another of these recurring problems which have been such a disturbing feature of its chequered career. But the problem on this occasion is more complex. Formerly, we had to deal with a surplus of one product and natural rubber producers were free collectively to consider and, if deemed advisable, to adopt unilateral measures for the adjustment of supply to demand. In this instance the surplus consists of two products, natural and synthetic, each conducting its operations on totally different systems. The natural rubber producer operates under free enterprise, paying his heavy taxes, accountable to his stockholders for a profit without which the source of capital would dry up. The synthetic product in its greater part is a USA Government monopoly, free from the taxation to which commercial enterprises are subject and not obliged to trade at a profit. It is worked as a fully integrated monopoly, selling its product at a price which covers the expenses of all, the profits of one unit being set off against the losses of another. The first consequence of competition under such contrasting systems is to throw the weight of any surplus supplies on to the natural rubber producer, whereas under equally competitive conditions for each product supply would be adjusted to demand by a reduction in the output of the marginal producer on either side.

COSTS

From the high level of 73 pence in March, 1951, the price of natural rubber has fallen to 20 pence, a decline of over 70 per cent. Against this there has been a very insignificant fall in the prices of items which enter into the cost of living of the worker on a rubber estate. Rice, still an important item in his diet, was in short supply in 1952 compared with 1951. Although the greater part of this supply was subsidised at considerable expense by the Government of the Malayan Federation, the cost to the worker was approximately five to six times greater than what he had to pay in 1939. The removal of squatters from their cultivated patches to new villages, a necessary measure to combat banditry, interrupted the supply of vegetables and other foodstuffs. Although there has been some adjustment of wages from the levels prevailing in 1951, new rates must necessarily take account of the factors I have mentioned, as well as the legitimate desire for a better standard of living. The adjusted scale of cash wages is now at rates approximately the equivalent of five times the rates prevailing in 1939. Cash wages are supplemented by payment in kind in the form of housing, medical services, maternity benefits, educational and recreational facilities, etc., the cost of all of which has increased very substantially in the post-war period. Wages are further augmented by employers' contributions to a provident fund. The cost of estate equipment shows some decline, but is still, under inflationary influences, whilst overhead charges, never raised to the level of other items of cost, offer as yet no scope for reduction. Higher yields from improved stock and changes in the technique of cultivation and production help in some degree to counter increased expenditure on labour and equipment, but only a limited number of producers enjoy the benefits of high yields. Replanting is a long-term policy and cannot minister to the present, except in its first incidental result of reducing production from areas in the process of replacement. From this brief recital of salient facts, it is evident that the natural rubber producer is now about to undergo a crucial test.

PROPOSALS FOR A BUFFER STOCK

In these circumstances, it is not unnatural that the Malayan Government should regard with concern the outlook for its main industry, which forms the backbone of the country's economy and upon which it has leant so heavily and, as some of us think, excessively and imprudently, for revenue. Nor can the UK Government afford to be indifferent. Its dollar earnings from rubber in 1951 were over $300 million. This year they are not likely to exceed $100 million. It is no doubt these considerations and the demand for Government to do "something" that has led to the promotion of two expedients, the suitability and efficacy of which there is reason to doubt. The two expedients are the establishment of a buffer stock and an officially sponsored enquiry into the Malayan rubber producing industry.

The first is based on a simple faith in the long-term statistical forecast which predicates a period of excess supply to be followed by a shortage. Unlike the classic case of the first successful buffer stock, which was based on a forecast derived from an infallible source, the present statistical exercise is a fallible effort, subject to all the uncertainties of an uncertain future. The forecast of a surplus of 270,000 tons for 1953, to which I have referred, is no sooner made than it is highly qualified if not invalidated by a statement issued by US manufacturing industry representatives at the last Rubber Study Group meeting. That statement has been published, but since it may have escaped notice I quote the following sentences:

"United States of America rubber products manufacturers believe that there can be no surplus of natural rubber during the next twelve months.

"The current competitive situation between natural rubber and GRS in the United States is such that there is every reason to believe that, during the next twelve months, the United States rubber-consuming industry will buy every pound of natural rubber available to them at prices competitive with GRS.

"Even a relatively slight decline from presently prevailing prices may be expected to provide an incentive to a substantial increase in the usage of natural rubber in the United States.

"In summary, we believe that normal market forces will ensure a market during the next twelve months for all of the natural rubber which will be produced and at prices which will not be substantially lower than present prices."

This prediction of "no surplus" for the next twelve months is, of course, conditional on the price of natural being competitive with synthetic; but that condition is inherent in any competitive trade and could not be evaded by the operations of a buffer stock without pursuing the disastrous course of pricing natural rubber out of its major consuming market. Those of us who have entertained doubts regarding the advisability of a buffer stock have based our views on the belief that "normal market forces" must bring natural and synthetic into close price relationship. It is difficult to reject that view except on the assumption that consumers would elect to buy the higher priced product and refuse the cheaper, an assumption which is hardly in accord with business acumen of manufacturers engaged in a highly competitive business.

It may be objected that the condition of no surplus relates only to the next twelve months, and the question may be posed: "What of subsequent years?" Before the elapse of that period it is expected that the synthetic industry in USA will have been transferred to private enterprise. There is good reason for believing that the initial result of this transfer will be a reduction in the volume of synthetic output and a consequent wider scope for the use of natural. In these circumstances, it is difficult to believe that the main producing and consuming countries can be brought to agree on the necessity or desirability of a buffer stock involving a total financial commitment of something in the region of one hundred million pounds and subject to the remote and rigid control of an international body with conflicting interests and widely varying views.

RUBBER ENQUIRY

With regard to the second expedient, since all the facts relating to the operations of the industry can easily be made available at any time to Government, it would seem that a formal enquiry is an unnecessary and untimely diversion of energy. None the less, I am sure that producers will respect the decision made and will co-operate and submit to a properly constituted authority for objective examination such information as may be required. These two dissimilar proposals have this in common: they derive their main support from an attitude of mind which, in disregard of normal experience, looks for some dramatic intervention to provide a swift escape from harsh economic realities, or, alternatively, expects that an enquiry, if officially sponsored, must be productive of some startling diagnosis revealing a new and painless remedy. To minister to such illusions can only lead to disappointment and tend to weaken the will to greater endeavour along practical lines.

GOVERNMENTAL OBLIGATIONS

The chief beneficiaries from such transient prosperity as the rubber-producing industry may enjoy are the Governments of Malaya and the UK, neither of which shares in its risks or its losses. On them rest corresponding obligations to all sections of that industry, not least to the part which, domiciled in the UK has to bear the burdensome exactions of both Governments. The main function of Governments is to provide conditions favourable to economic production. Earlier in this statement I have made suggestions for relief from excessive and unfair taxation. An increase in Malaya's food production would do much to lessen the high cost of living in that country. The execution of plans for expanding the production of rice has suffered a setback and domestic supplies in 1952 were 100,000 tons less than in 1951. Here there is urgent need for improvement, otherwise Malaya will continue to be dependent on uncertain and costly imports. The assistance now being given to the smallholder in the processing and marketing of his produce is a well-conceived measure which wins general approval, but it might be more widely and quickly applied if simple and readily available equipment was chosen in preference to waiting for more elaborate appliances. In this instance there is a tendency to allow the better to become the enemy of the good.

Internationally, Governments should be vigilant to win and to preserve free and fair trading conditions for the sale of South-East Asia's main product. It is in the energetic and intelligent discharge of such obligations that Governments can help to strengthen the industry's competitive power and thus promote the workers' welfare by the assurance of continued employment in profitable and productive work.

RIO TINTO COMPANY, LIMITED

TAXATION OFFSETS IMPROVED RESULTS

PROGRAMME OF OVERSEAS EXPLORATION

THE EARL OF BESSBOROUGH'S SPEECH

The eightieth annual general meeting of Rio Tinto Company, Limited, was held on June 11th in London, The Rt Hon the Earl of Bessborough, GCMG (the chairman), presiding.

The Chairman, in the course of his speech, said:

Turning to the accounts for the year 1952, you will have observed that the profit carried to appropriation account of £705,108 is a decrease over 1951 of £238,907. Briefly stated, the simple explanation for this is taxation. You company's trading profit increased from £144,164 to £291,730, but the confiscatory scale of taxation imposed upon us reduced our trade investment income to £377,884, as compared with £758,170.

This year's Finance Bill contains some palliatives and temporary reliefs which are welcome. They do not, however, represent more than a first short step in the right direction, and I consider that early relief of a more fundamental nature is of imperative importance. Exhortations to private enterprise to carry out large-scale mineral development in the Commonwealth cannot be implemented by mining companies, bereft by taxation of an overwhelming proportion of their revenue. Nor has any attempt yet been made to put us on a level footing with the mining industry elsewhere, as in Canada, for example, as regards treatment of capital outlays and other taxation concessions necessary in an industry in which are involved such high risks as that of mining. Your company is carrying out a modest programme of exploration overseas, but it cannot be expected that under present conditions this country will play its proper and, as I believe, essential part in the development of our Commonwealth resources.

PROFIT REMITTANCES FROM SPAIN

You will recall that in my speech last year I was able to indicate that arrangements had been concluded for the resumption of sterling remittances of profits and that certain sums had already been received. I regret that I have to record an almost complete cessation of these remittances during the last few months. We continue to make representations with a view to obtaining a resumption of them.

MINES IN SPAIN

The mines in Spain maintained full production during the year and sales of pyrites were 943,731 tons as opposed to 951,173 tons for 1951. Once again production costs have risen and, notwithstanding frequent representations, the prices being paid to the company for internal sales of copper, sulphur and pyrites are below cost. There are indications, however, that attention is being given to this matter, and I hope that before long the position will improve. In the meantime there has been some reduction in the sale of export pyrites, and though I think that this is of a temporary nature it is all the more important that internal prices should be readjusted quickly, for the higher price obtained for pyrites exported will not secure an adequate profit under present conditions.

I paid a visit to Spain in October, 1952, accompanied by the managing director, during which we were received in Madrid by the Minister of Industry and by the Minister of Commerce. We also paid a visit to the mines where we found work proceeding satisfactorily under the direction of our general manager in Spain.

BALANCE SHEET

Turning for a moment to the balance sheet, your company's investments in Rhokana and Nchanga, which as you know are our principal investments in Rhodesia, remain unchanged. In spite of a certain downward tendency in copper prices I am confident that these investments will continue to be, as in the past, one of the most valuable assets of the company. The market value of the company's quoted investments at the end of 1952 stood at £11,607,524.

EXPLORATION AND DEVELOPMENT

As stated in the directors' report, exploration of a long-term nature is being started in Africa, notably in Northern Rhodesia. It is not expected that there will be anything of interest to report for some time to come.

Your company has also formed a Canadian company with the object of carrying out exploration activities in that country as well.

In Scotland work has been started, in association with Siamese Tin and Bangrin Tin, on dewatering the old lead workings at Wanlockhead and Leadhills.

In addition, we have taken a small participation in the Commonwealth Development Finance Company, Ltd., and also in the British Newfoundland Corporation, Limited.

ADMINISTRATION

No changes in the board have occurred since our last meeting.

You will have taken notice of the extraordinary general meeting which is to follow this meeting. The "Objects" clauses of the Memorandum of Association have not been altered since the formation of the company 80 years ago, and your directors consider that it would be advisable for the scope of these "objects" to be widened so as to bring them more into line with the present-day needs of this company.

DIVIDENDS

As stated in the report, the board recommend that the dividend on ordinary shares should be maintained as in 1951 at the rate of 15 per cent, free of tax. On account of the heavy load of taxation they have only been able to recommend a bonus on this occasion of 5 per cent, making a total payment of 20 per cent, free of tax, on the ordinary shares.

We have ever been fortunate in this company in the service we have received from our staff at home and overseas. Once more I express to them all on your behalf our appreciation of their loyalty and devotion to the company's interest.

The report and accounts were adopted.

At the subsequent extraordinary general meeting a resolution regarding the "Objects" clauses of the Memorandum of Association was approved.

THE BURMAH OIL COMPANY, LIMITED

YEAR OF ECONOMIC ADJUSTMENT

IMPROVEMENT IN LOCAL CONDITIONS

DIVIDEND 15 PER CENT

SIR KENNETH B. HARPER'S STATEMENT

The fifty-first annual general meeting of The Burmah Oil Company, Limited, will be held on July 3rd in the Merchants Hall, 30, George Square, Glasgow.

The following statement to stockholders by the chairman, Sir Kenneth B. Harper, has been circulated with the report and accounts for the year ended December 31, 1952:

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The consolidated Group trading profit for 1952 was £5,464,672, which compares with the record figure of £7,480,551 in the previous year. 1952 was a year of considerable economic adjustment in the areas where your company's main trading interests lie. The sharp recession in commodity values which set in during May and June had an adverse effect on trading conditions generally and was felt by our trading subsidiaries, especially in India, their largest market. This, together with a substantial decrease in world values of wax, extensive development operations in the Digboi Field area in Assam and a comprehensive programme of exploration in India and Pakistan, are the factors contributing to the fall in trading profits of £2,015,879.

The income from interest, dividends and transfer fees during the year amounted to £3,309,861 (£3,228,617 in 1951) making a total income of £8,774,533, from which falls to be deducted £36,825 for directors' emoluments and £1,081,815 for depreciation on the Group's fixed assets. After making full provision of £4,741,422 for UK and overseas taxation, and writing off £42,633, the expenses in connection with the increase of capital, the consolidated net revenue of the Group becomes £2,871,838, against £3,360,991 in 1951.

To this net revenue is added £586,981 brought forward from 1951 and out of this sum of £3,458,819 the board has appropriated £1,018,257 to general reserve, leaving for disposal £2,440,562.

The board now recommend a final dividend on the ordinary stock of 12½ per cent, which, with the interim dividend of 2½ per cent paid on December 5, 1952, makes a total of 15 per cent for the year.

After allowing for the amounts paid and now recommended for net dividends on preference and ordinary stocks the balance to be carried forward to 1953 is £596,047.

No liability in respect of the excess profits levy is likely to arise on the year's results. Taxation in India has increased but the company has benefited from the increase from 75 to 100 per cent in unilateral relief now granted in the United Kingdom, under the 1953 Finance Bill, for overseas taxation on Indian and Pakistan profits.

Turning to the parent company's balance sheet, the main changes are the increase of £1,124,937, under the heading of Trade Investments, and the realisation of £6 million of Government securities, with a corresponding increase in advances to subsidiary companies to meet their financial requirements.

The increase in trade investments represents your company's share of the increase in capital of the Burmah-Shell Oil Storage and Distributing Companies of India and Pakistan required to finance the programmes which these associated companies have in hand for the expansion of their storage, distributing and marketing facilities. As you are aware, your marketing interests in India and Pakistan are in the main taken care of by these associates.

The employment of advances to subsidiary companies is reflected in the Group's consolidated balance sheet by increased investment in fixed assets and in oilfield and refinery stores and equipment, and a considerable reduction in creditors, mainly in respect of outstanding liabilities for overseas taxation now agreed and settled.

Additions to the tanker fleet and to the Assam Oil Company's refinery in Assam are responsible for the increase under fixed assets, while the expansion and development operations referred to above have required the maintenance of higher inventories.

The increase in capital reserve is due to certain capital receipts, of which the chief is your company's share of the £700,000 eventually agreed with Her Majesty's Government in settlement of the guarantee, referred to in my statement on the 1949 accounts, up to the date of its termination on January 31, 1950.

The excess of the Group's current assets over current liabilities at December 31, 1952, remains much the same as at the end of 1951, just over £19 million.

BURMA

Last year I expressed the opinion that there was little evidence of progress in restoring stability in Burma, and I am glad to be able to record a noticeable improvement in the past twelve months. This has taken the form of consolidation of the parts of the country under the control of the Government and a slackening of organised attacks by insurgents elsewhere. Road and rail transport are still liable to frequent interruption, and road travel is dangerous even in places quite close to the Chauk Oilfield, where our Burma concessions company is operating.

EXPLORATION

In these conditions, prospecting was still impossible in Burma, but in India and Pakistan good progress was made. The test well at Sui, in Baluchistan, though finding no oil, was successful in discovering what promises to be a major natural gas field. To seek confirmation of this, a second well began drilling just before the end of the year, and has since been successfully completed. This gas seems likely to be of great importance to Pakistan's economy and discussions with the Pakistan authorities on its utilisation have begun.

A test well at Chak Naurang in the Punjab found oil but, unfortunately, of poor quality, and in emulsion with water. It is not possible to say yet whether this further discovery will be of value.

At Nahorkatiya, a deep well, to test the possibility of a big extension westwards of the Digboi Field, had reached 7,357 feet by the end of the year. Since then there have been some signs of oil, but it is too early yet to say whether this development will be of commercial value.

Pakistan Petroleum Limited, the public Rupee Company, which, as I reported to you two years ago, was incorporated in Pakistan to qualify for further concessions under the Pakistan Government's Petroleum Rules, and in which we now have a 99 per cent shareholding, took over, as from July 1, 1952, the assets and activities of our Pakistan concessions company.

MARKETING

Production from the Group's oilfields in Burma, Assam and the Punjab contributed 26 per cent of the total requirements of our marketing companies, the balance being imported from the Persian Gulf (although no longer from Abadan), Indonesia, Curacao and other sources. Although our trading increased satisfactorily in Assam and East Pakistan, it fell short of expectations in the rest of India and Pakistan for the reason I have mentioned, the overall increase over the previous year being less than 2 per cent. This is a much smaller increase than we have experienced each year since the war ended. Towards the end of 1952 there were signs that the recession earlier in the year was passing. Trading conditions have been settling down and a steady if slight improvement in the volume of our trade during recent months has become apparent.

INDUSTRIAL RELATIONS

A matter of constant concern to the managements of our operating companies is their relations with their employees. In Burma and India, as I have mentioned in previous years, industrial relations are bedevilled by the existence of compulstory adjudication to which the Governments almost automatically refer any dispute that arises. The inevitable result is a flow of claims on which no real attempt is made to negotiate because there is a better chance of getting something out of the Industrial Courts. In Pakistan it appears to be the policy to avoid adjudication and to encourage negotiation. Our experience in 1952 has been that whereas our operating companies were hardly ever out of Industrial Courts either in Burma or India or both, in Pakistan the only dispute which arose was settled to both parties' satisfaction by negotiation, since when relations have been excellent.

JOINT VENTURE IN BURMA

I told you last year that plans for a joint venture between the Government and the oil industry in Burma had progressed to the point where a draft agreement had been initialled subject only to acceptance by the Union Government of the valuation of £15 million which was put on the undertakings concerned. After a survey of the assets by a Commission appointed for the purpose the Government accepted our valuation, but progress was then held up by a reference to the Supreme Court in Burma regarding the validity under the Constitution of Burma of the proposed joint venture procedure. The Supreme Court's ruling was favourable and we are informed that negotiations to finalise the joint venture will soon be resumed.

TANKERS

The first of our new tankers, the *Burmah Emerald*, was launched in May last year and has now been eight months in service and is proving a fine ship.

An order was placed in December, 1952, for a 31,000-ton tanker which will be employed in supplying the Bombay refinery with crude oil.

A slackening in the world demand for petroleum products, coming at a time when the deadweight tonnage of the world's tanker fleets was being increased by some 9 per cent, resulted, towards the end of the year, in a substantial fall in tanker freights, which has continued into the current year. After a period of adjustment, including the scrapping of old vessels, one would expect tanker freights to harden to something above today's levels.

STAFF

Once again it is a pleasure to put on record the board's appreciation of the good work of the managements and staffs of your companies both at home and overseas.

UNITED DRAPERY STORES

A NOTABLE ACHIEVEMENT

SIR BRIAN MOUNTAIN ON GROUP'S PROGRESS

The twenty-sixth annual general meeting of United Drapery Stores, Limited, was held on June 9th in London, Sir Brian E. S. Mountain, Bart. (the chairman), presiding.

The following are extracts from his circulated statement:

The accounts show a satisfactory picture of the continued growth in the affairs of your group of companies for the past year.

Our turnover, after making appropriate adjustments for new acquisitions, showed a substantial increase and again constituted a new high record for the group.

The group profit before taxation exceeds two and a quarter million pounds, being an increase of more than half a million pounds in the year, and I am sure you will consider this to be a notable achievement, particularly having regard to the changing trading conditions in the year. Unfortunately, nearly 80 per cent of any increased profit has to be paid away in taxation, and this year's charge of over one and a half million pounds now exceeds our ordinary share capital. The effect of Excess Profits Levy has been particularly heavy, and this year costs £272,400. This tax was undoubtedly having a disheartening effect on progressive businesses, and we are very pleased that the Chancellor of the Exchequer has announced that it will be discontinued at the end of 1953.

The net profit of the group is £667,814, and after very careful consideration, taking into account the outlook for the current year, your board decided to increase the ordinary share distribution by 10 per cent, making a total of 40 per cent for the year.

I am very pleased to report that our total reserves now exceed three million pounds, which is more than double our ordinary share capital.

EIGHT YEARS' REVIEW

Your board decided this year to follow a current trend in company reports, and include in our accounts a summary of the results for the past eight years. The review shows that year by year there has been a substantial increase both in profits and reserves. The group profits have increased almost tenfold, and in the last two years alone there has been an increase of over one million pounds, which is largely the result of plans laid down in earlier years.

Even after extremely heavy taxation the net profits have risen from £98,889 to the present level of £667,814. The payments to the shareholders have steadily increased from 10 per cent in the year 1945-46 to the present rate of 40 per cent. At the same time, the reserves have increased substantially and the sums set aside annually have in total exceeded the dividends paid. The asset position has grown with the increased profits and it is particularly satisfactory to observe the increase in the net current assets from three-quarters of a million pounds to just under four million pounds. The fixed assets have increased by over two million pounds and stand in the books at a conservative figure.

As regards our prospects for the current year, the retail sales of our present businesses for the first 12 weeks as compared with the same period last year show the satisfactory increase of 12 per cent and in total the group sales this year, excluding Heelas, are larger than last year's sales including Heelas. Against this expenses tend to rise and, in the interests of increased efficiency, this cannot be altogether avoided but subject to this we are constantly watching our overhead expenses.

I do not like making forecasts, but your business has always continued to prosper, and with a certain saving in taxation your board believes that the net profit attributable to the holding company in the current year should again prove satisfactory.

The report was adopted.

LANADRON RUBBER ESTATES

SIR ERIC MACFADYEN'S STATEMENT

The forty-fifth annual general meeting of Lanadron Rubber Estates, Limited, will be held on June 29th in London.

The following are extracts from the statement by the chairman, Sir Eric Macfadyen, circulated with the report and accounts for 1952:

Output last year amounted to 3,738,210 lb. compared with 3,833,632 lb for 1951, the reduction being due to the adoption of lighter tapping in some of the younger areas. Gross profit was £123,596; taxation on balance £40,092 (additional to £46,559, practically 3d. per lb for export duty and cesses treated as a cost of production). After taxation the remaining profit is £83,504. The 7½ per cent dividend will require £25,061, and we shall carry forward undistributed £29,871, or £181 more than the balance brought in.

In 1953 we can look forward to seeing some reduction in cost of production, and I hope at least to paying our way; but at current prices there is no prospect of being able to make allocations to reserves on the scale of those of the past few years.

We are suffering from the after effects of a period of excess prices. Now the world outlook is quieter and the scare buying has died down, we find we have lost half our American market. We shall only recover it by offering well-prepared and well-graded rubber at attractive prices. We have a better article to sell than the chemists, and we can turn out our product at a lower cost than they can theirs. In the long run the two will settle down together and both earn a living. And meanwhile a company such as Lanadron will remain competitive.

ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED

(Incorporated in the Union of South Africa)

SUCCESSFUL YEAR'S OPERATIONS

The following is an extract from a statement by the chairman, Sir Ernest Oppenheimer, on the affairs of the Corporation for the year ended December 31, 1952:

The profit for the year 1952, after providing for taxation, was £3,015,426, which compares with £2,894,345 for the year 1951. Once again, as for some years past, the dividend distribution for the year on the ordinary shares totalled 6s. per share.

The general reserve has been strengthened by an appropriation of £4,400,000, and now stands at the substantial figure of £17,900,000. The bulk of the appropriation for the year to the general reserve represents the premium on the share issue made during the year, which is, in effect, additional permanent capital in the business. The book value of the Corporation's shareholdings and other interests once again increased substantially by £2,332,793 to £19,257,500. The market value of these investments at the end of the year was £31,988,095. Current assets at £32,248,607 exceeded current liabilities by £3,658,306, and the holding of notes and debentures was increased to £4,134,083. There was a substantial increase in the amount of loans to affiliated companies and others; at the end of 1952 this amount stood at £15,436,208, compared with £7,411,891 at the end of the previous year. This figure indicates the substantial part which the Corporation is playing in financing the operations of its affiliated companies.

PRODUCTION OF URANIUM

It is of interest to note that two of the Corporation's producing gold mines are this year commencing the production of uranium. Production of uranium by these two mines will be not only of benefit to them by furnishing additional profits, but also of great assistance to the United States and British Governments by furnishing them with a supply of this valuable metal.

The Corporation has acquired an interest in several new developing gold mines and the Corporation is assisting materially in the provision of finance for these companies. We have reason to expect that these interests will be of considerable profit to the Corporation in due course. In regard to our interests in the Orange Free State, we are looking forward to satisfactory results in the relatively near future.

The Rhodesian companies of our group have had a most succesful year. This year is the centenary of the birth of Cecil Rhodes and it is most fitting that the event should be celebrated by the establishment of the Federation of the two Rhodesias and Nyasaland, which, I have no doubt, will inaugurate a great period of progress in the territories of our northern neighbours.

You will have seen from a recent press announcement that Rhodesian Anglo American, Limited, has recently acquired a large shareholding in the Wankie Colliery Company. At the same time your Corporation is taking over the duties and responsibilities of managers consulting engineers and buyers to the Wankie Company. The full financial and technical strength of the Corporation and its associates will be available to ensure that the Wankie Colliery will, within two or three years, be brought to a position where it can meet the full requirements of the territories which it serves.

DE BEERS CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa)

GROUP'S STRONG FINANCIAL POSITION

SIR ERNEST OPPENHEIMER ON INDUSTRY'S DEVELOPMENT

The sixty-fifth ordinary general meeting of De Beers Consolidated Mines, Limited, was held on June 10th in Kimberley.

Sir Ernest Oppenheimer, the chairman, who presided, in the course of his speech said: The consolidated profit and loss account shows that the group profit for the year, after providing £7,840,000 for taxation, was £19,076,000, to which has been added the sum of £6,614,000 in respect of adjustments in diamond stocks from the nominal value of £1, at which they were previously shown in the respective companies' accounts, to cost of production in the case of the producing companies and in the case of the Diamond Corporation, to cost of purchase, making a total net profit for the year of £25,690,000, in which the outside or minority shareholders have an interest to the extent of £2,368,000, including their proportion of dividends declared by subsidiary companies, the balance of £23,322,000 being attributable to your company. To this sum has been added an amount of £19,038,000, being the unappropriated balance at December 31, 1951, after deduction of the initial contribution to De Beers pension fund and an adjustment in respect of minority interests, and this together with the credit in respect of the reserve for allowances to retired employees gives a total available for appropriation and distribution applicable to the company of £42,632,000. Out of this amount £15,782,000 has been transferred to reserves, £750,000 provided for depreciation of Government and local authority securities, and £8,964,000 has been declared in dividends to the shareholders of your company, leaving an unappropriated balance of £17,136,000, of which £7,465,000 is in your company's own accounts and £9,671,000 is your company's interest in the unappropriated balances in the accounts of its subsidiary companies.

BALANCE SHEET FEATURES

The consolidated balance sheet shows total assets at £105,038,000, which includes the sum of £13,832,000, being the net excess of cost of investments in subsidiary companies over their nominal value, less amounts written off, and after adjustments on consolidation. This sum is covered by capital reserves on the liability side of the consolidated balance sheet, of which share premium account amounts to £10,053,000 and other capital reserves to £22,182,000.

Current assets, loans to other companies and investments total £66,722,000 and exceed all liabilities to the public, including minority shareholders' interests, by £34,927,000.

I am sure shareholders will agree that our group is in a very strong financial position. The adjustment of diamond stocks in the accounts from a nominal value of £1 to cost of production in respect of our stocks and those of our associated producing companies and to cost of purchase in the case of the Diamond Corporation is a change in procedure which was decided on in the light of advice from our auditors. Your directors hope that the disclosure of this information will remove the erroneous impression that the diamond producers hold huge stocks of diamonds (whole bags full) and could, at will, double or treble the supply, but do not do so in order to maintain an artificial shortage and keep prices at an excessively high level.

It will be illuminating to shareholders to know that at the end of 1952 the total stock held by the De Beers company was only £311,947, at cost of production; by the Consolidated Diamond Mines of South West Africa, Limited, only £414,055 at cost of production; while the Diamond Corporation stock amounted to £5,782,832, valued at cost of purchase.

I would add that the stocks of all other producers have also been reduced to a bare minimum.

CONTINUITY OF DIAMOND PRODUCTION

Another erroneous impression that exists in some quarters is that even though we may not have large stocks we mine in such a way as to restrict production to a level calculated to cause an artificial shortage and keep the price of diamonds at unreasonably high levels. This view is contradicted by two important principles which operate in the diamond trade. The first is that the selling arrangements in force contain provisions by which each producer is guaranteed, over a period of years, that, however bad the general trade conditions are, his sales will not fall below an agreed minimum. As a result, there is always continuity of production, and diamond mines are kept in operation through bad times as well as good. The second is that the industry has always equipped its mines to operate at their optimum capacity. When the trend of prices and demand has warranted it, considerable sums have immediately been spent in reopening old mines which previously could not be exploited economically.

Finally, I can state that we have no agreement with any producer providing for a restriction of output. On the contrary, being represented on the boards of the most important producers, I can say that their mining operations are conducted on a scale dictated by the nature of their deposits and the full capacity of their equipment.

CECIL RHODES CENTENARY

We celebrate this year, the centenary of the birth of the founder of our company, and it is therefore appropriate that today's address should contain a fuller account of the development of the diamond trade and of your company than is customary on these occasions. The chairman, in a lengthy survey, then reviewed the period from the discovery of diamonds in the area until the death of Cecil John Rhodes, and the 50 years thereafter. He continued:

The momentous events of the last 50 years; the two World Wars, and the unprecedentedly severe and prolonged depression of the '30s, combined with our special difficulties, had of necessity important repercussions on the fortunes of your company. During the depression we had to cease operations intermittently and postpone the payment of preference dividends.

When times improved, your directors remaining ever conscious of these serious setbacks, followed a conservative dividend policy and built up substantial reserves.

The accounts presented today will have shown you that the De Beers Company has accumulated £7,400,000 in excess of liabilities, and the Consolidated Diamond Mines of South West Africa, Limited, in which De Beers has a 96 per cent interest, £7 million. The Premier Company will be able to repay its outstanding loans this year, and if the Government approves, we propose to accumulate reserve funds of £1 million, before declaring any dividends. Shareholders will observe that we now possess the funds necessary to assure continuity of operations.

However, we have achieved more as during recent years we have considerably strengthened and re-modelled the selling organisation.

CO-OPERATIVE SELLING ARRANGEMENTS

The marketing of the gem diamonds is now conducted by the Diamond Purchasing and Trading Company, Limited, and its associated company, The Diamond Trading Company, Limited. The marketing of industrial diamonds is done through Industrial Distributors (1946), Limited, and its 100 per cent subsidiary, Industrial Distributors (Sales), Limited. The great majority of selling companies' share capital is, however, held by the important diamond producing companies, not only those of this group, but also those operating outside the Union and South West Africa. In effect we have, therefore, placed the selling of gem and industrial diamonds on a co-operative and, therefore, more permanent basis. The selling companies have cash resources of:

Gem companies	£7,404,000
Industrial companies	£6,605,000
Making a total of	£14,009,000

They are thus amply financed for all contingencies. To my mind this is of special importance and significance because in this manner the risk of being compelled to force diamonds on an unwilling market is removed and the maintenance of prices greatly facilitated. The surplus funds in the hands of producers, together with the resources of the trading companies, assure continued mining operations in quiet times and will enable us to face temporary trade depressions without financial worry.

We decided on the establishment of a separate selling organisation for industrial diamonds so as to ensure that the maximum quantity of industrial diamonds should always be available, irrespective of the demand for gem diamonds. Continuity of operations, of which I have just spoken, is of greatest importance for the industrial section of our business and, of course, for industry generally.

PRESENT PROSPECTS

The chairman outlined the functions of the company's subsidiary, the Diamond Corporation, the history of which he described as an uninterrupted endeavour to preserve and cement co-operation between all producers, and referred to the formation of De Beers Investment Trust, Limited. He continued:

The boom times have come to an end, and both sections of the diamond trade, gem and industrial, are adjusting themselves to normal business conditions. Our customers are wisely following a cautious policy, and regulate their purchases with a view to reducing their stocks to ordinary trade requirements. Under these circumstances, some reduction in sales of both classes of diamonds was to be expected.

It is gratifying to be able to tell you that gem sales for the first five months of 1953 amounted to £21 million, which is approximately the same as for the first five months of 1952. We anticipate some reduction in the demand for the remaining months of the year, but all-in-all 1953 will be a satisfactory year for the gem section of our business.

Sales of industrial diamonds for the first five months of 1953 amounted to £6,700,000, against £11,800,000 for the similar period last year, a reduction of £5 million.

This drop in sales must not be attributed to a reduction in the actual consumption of industrial diamonds, but to other causes.

We estimate that total sales of industrial diamonds for 1953 will be approximately £13 million. Moreover, until there is a further expansion in the use of industrial diamonds, annual sales are likely to be within £2 million or £3 million of that figure for some years to come.

The report and accounts were adopted.

CENTRAL PROVINCES MANGANESE ORE

RESULTS CONSTITUTE A NEW RECORD

CONTINUED WORLD DEMAND

MR H. R. HOLMES ON THE SATISFACTORY PROSPECTS

The forty-fifth annual general meeting of the Central Provinces Manganese Ore Company, Limited, was held on June 8th in London, Mr H. R. Holmes, chairman and managing director, presiding.

Mr A. Linton, MC (director and secretary), read the notice convening the meeting and the report of the auditors.

The chairman said: Ladies and gentlemen, the report and accounts for the year ended December 31, 1952, have been in your hands for some time and I propose, with your permission, to take them as read. (Agreed.)

Before asking for your approval of the accounts, I would like to make a few comments on the figures which appear in the balance sheet and profit and loss account.

Last year I expressed the opinion that the prospects for 1952 were satisfactory, subject to there being an improvement in railings during the second half of the year. I am glad to say that this opinion has been justified, as the balance on trading account of £2,887,767 constitutes a new record for the company.

This result has been possible owing to the continued demand for our ore in the world's markets and to the prices at present prevailing.

TAXATION BURDEN

Of this balance, taxation takes the enormous sum of £2,041,000, and included in this figure is £425,000 excess profits levy. Taxation is a very serious matter for us, because, as I said last year, our company is subject to the full rate of tax obtaining in India. If the proposals contained in the Finance Bill, 1953, become law, the unilateral relief, which at present is limited to 75 per cent of United Kingdom taxes, will be increased to 100 per cent, but no substantial benefit from this can accrue to your company until the expiration of the incidence of excess profits levy, which, under the Bill, will continue for the year 1953.

Of the total taxation, Indian taxes amount to £1,512,000, and, in addition, we paid about £800,000 in India by way of export duty on the ore we shipped during 1952, while royalty on the ore railed was over £200,000, making altogether a total of more than £2,500,000. Furthermore, we give employment to many thousands of Indians, whose wages and bonuses, and the many amenities provided for them, amount to a very large sum annually.

Income from investments is higher at £44,001, as compared with £30,500, although the total holding of securities is the same. This is because some of the stock was bought in the second half of 1951 and consequently did not attract the full year's interest for that year.

On the debit side of the profit and loss account, depreciation of fixed assets at £38,996 is only a little higher than the previous year's figures at £37,896, in spite of the fact that the fixed assets in the balance sheet have risen from £444,046 to £641,936. This is because the depreciation on the buildings erected and machinery bought in 1952 is not charged until 1953.

APPROPRIATIONS

Your directors recomend that, out of the net profit available, the following appropriations should be made: To staff benefit fund, £30,000; to workers' welfare fund, £10,000; to general reserve, £100,000; to contingencies reserve, £75,000. An interim dividend of 1s. 3d. per unit, free of tax, has already been paid, and it is proposed that a final dividend of 2s. 3d. per unit, free of tax, plus a bonus of 2s. 6d. per unit, free of tax, should be paid, together absorbing £600,000. This will leave £192,604 to be carried forward, as compared with £185,066 brought in.

LABOUR RELATIONS

As regards the staff benefit fund, as I said last year, it is essential that this fund be built up whenever we can afford to do so, in order to provide something for both our European and Indian staff when the time comes for them to retire. With taxation at its present level it is impossible for anyone to save sufficiently for retirement, as you no doubt well know, and I feel sure that this allocation will have your approval.

As regards the workers' welfare fund, you are probably aware that the Government of India are very keenly interested in the welfare of all workpeople employed in industry. As you will see from the balance sheet, we spent £9,984 during the year on this welfare work. The £10,000 which we propose to appropriate to this fund is to replace this expenditure.

The health of our labour force in India continues to be good, and constant attention is being given to housing, sanitation, water supply, and the control of disease, particularly malaria. In the accounts we have again provided for a sum sufficient to give those of our workpeople who qualify for it by service during the year a bonus on similar lines to that drawn by the staff. The contributory provident Fund for our workpeople, which came into operation on January 1, 1952, is working satisfactorily.

We have always had the welfare of our labour at heart, and have in the past, without pressure from the Government, done much to improve the conditions under which they work and live. We hope that, with the co-operation of the Government and the trade union, labour relations will remain on the same satisfactory footing as they have been for many years past.

BALANCE SHEET FEATURES

Turning to the balance sheet, you will notice on the assets side that the value of the manganese ore stocks has risen from £530,828 to £617,003. This does not mean that the total tonnage is higher, because the contrary is the case; but there were more stocks at the ports awaiting shipment, and these stocks, having borne the cost of railway freight, are valued on a higher basis.

Proceeds outstanding on ore sales were £913,784 as compared with £440,564 for the previous year, the increase being due to the larger number of shipments afloat on December 31, 1952, than in the previous year.

There is no change in our holding of British Government securities, but during the current year the market value has appreciated by about £90,000.

The cash at bank and in hand at December 31, 1952, is approximately equal to the total of cash and tax reserve certificates shown in our previous accounts. The £200,000 tax reserve certificates were used during the year in payment of taxation.

On the liabilities side of the balance sheet, the figure of £1,472,699 appearing under reserve for future taxation represents Indian and United Kingdom income tax on the profits for the year under review less amounts already paid on account in India. The item £456,276 shown under current liabilities for accrued taxation comprises the balances of taxation for previous years.

DIRECTORS' VISIT TO MINES

Earlier this year two of your directors—Mr Bartlett and myself—visited the mines in India when we made a thorough examination of our properties, and in consultation with your general manager, and the several mine managers, came to decisions about many outstanding matters. We still cannot get all the labour we require, though there has been an improvement in this respect, and it is therefore important that we proceed with our programme of mechanisation, which so far has proved to be very successful.

Generally speaking, we found the mines in very good condition with development work ahead of ore extraction. This position will be still further improved when we get more machinery installed.

Last year I referred to the heavy media separation plant which we are installing at our Dongri Buzurg Mine. This has taken longer to complete than I estimated, but the work is now well advanced and I hope that it will be started up later this year.

CURRENT YEAR'S PROSPECTS

The demand for our ore in the world's market continues and prices remain firm.

The usual improvement in our railings during the second half of the year took place as I anticipated in my speech last year, and we were able to implement all our contracts. I think I may say that the prospects for the current year's trading are satisfactory.

As no doubt you are aware, we have had for many years now excellent relations with the largest buyers of manganese ore in the world and it has taken many years to build up these very desirable connections. It is unfortunate, therefore, that these large buyers have expressed dissatisfaction with the varying methods adopted at the ports in India in assessing the export duty on manganese ore. We are doing what we can to minimise this irritation to our buyers, with a view to retaining their good will. We feel that it is of primary importance to aim at maintaining a market of a lasting nature for Indian manganese ore in these important countries, particularly as in course of time we may have to meet severe competition from other sources of supply which are in process of being developed.

TRIBUTE TO STAFF AND AGENTS

Again I wish to emphasise the excellent work of the staff both in India and in London, and also of our shipping agents in India, Messrs James Finlay and Company, Limited. I am sure that they will appreciate the thanks of the stockholders which, with your approval, I propose to convey to them.

I am glad to say that our relations with the government authorities in Delhi and with the State Government of Madhya Pradesh continue on a satisfactory basis.

I now beg to move: "That the report of the directors and statement of accounts as at December 31, 1952, be and are hereby approved and adopted, and that the profits be appropriated as recommended by the directors." I will ask Major Herring to second the motion, and before putting it to the meeting I shall be glad to deal with any question which stockholders may wish to ask.

Major A. C. Herring, VC, ACA, seconded the resolution which was carried unanimously.

The Board's proposal of a final dividend of 2s. 3d. per unit, free of tax, and a bonus of 2s. 6d. per unit, free of tax, was also approved.

The retiring director, Major A. C. Herring, VC, ACA, was re-elected, and the remuneration of the auditors, Messrs W. A. Browne and Company, having been fixed, the proceedings terminated with a vote of thanks to the chairman, directors and the staff, both at home and abroad.

GENERAL MINING AND FINANCE CORPORATION, LIMITED

(Incorporated in the Union of South Africa)

SIR GEORGE W. ALBU'S SPEECH

The ordinary general meeting of shareholders of the General Mining and Finance Corporation, Limited, was held on June 9th in Johannesburg.

Sir George W. Albu presided and, in the course of his speech, said:

Since the last annual general meeting of the Corporation, your directors decided to increase the capital of the Corporation in view of the many calls which were being made on its funds through its direct and indirect interests in the Orange Free State and on the Far West Rand. In September, 1952, an invitation was made to shareholders and to the public to subscribe at par for 750,000 newly created 6 per cent cumulative convertible redeemable "A" preference shares of the nominal value of £1 each. The issue was heavily oversubscribed.

This increase of capital has necessitated the appearance of two new items in the accounts for the year under review, viz. a provision for the first dividend on the "A" preference shares totalling £11,094, in respect of the period from the date of allotment to December 31, 1952, and an appropriation out of profits of £11,581 for the redemption, in due course, of the *pro rata* proportion up to December 31, 1952, of those shares.

THE YEAR'S RESULTS

Although your Corporation again earned additional revenue for technical services rendered in respect of abnormal capital expenditure incurred by associated companies during the year, the profit of £611,400 was some £115,100 less than for the previous year, due partly to reduced dividend income but mainly to a small loss as compared with a substantial profit on share dealing in the previous year. Owing to adverse market conditions which characterised the greater portion of the year under review it was necessary to write off an amount of £240,300 from stocks and shares and other securities.

This item was absorbed by an appropriation of £115,300 from profits and by taking £125,000 from investment reserve account. In addition, normal appropriations totalling £64,200 were made for the writing down of land, buildings and mining properties, for exploration provision, for directors' remuneration, and including £15,000 for taxation. Dividends totalling 5s. per share on the ordinary shares were declared in respect of the year under review and absorbed £419,300, with the result that the unappropriated balance carried forward to the current year was £156,600, as compared with £166,700 at the end of the preceding year.

In accordance with the provisions of the Union Companies Act of 1926, as amended, a consolidated balance sheet and profit and loss account showing the position of the Corporation and its several subsidiary companies is attached to the directors' report. In comparison with the figures I have just quoted these accounts reflect a consolidated profit of £629,000 for the year ended December 31, 1952, and an unappropriated balance of £188,200 carried forward to the current year.

As shareholders are aware, the Corporation derives the major portion of its revenue from dividends from mining companies, so that its position has been affected by reason of declining dividends declared by those companies as the result of the present adverse conditions through which the industry is passing. The decrease in the industry's profit in 1952 as compared with 1951 totalled £8,400,000 of which £2,994,000 was due to the lower average price received for gold sold for artistic and industrial purposes at enhanced prices. Working costs increased from 31s. 10d. per ton milled in 1951 to 34s. 2d. per ton milled in 1952, mainly accounted for by increases in the cost of stores and materials and the higher cost of living allowances paid to European employees, while the total dividends declared by the producing companies of the industry at £19,805,000 was £2,983,000 less than in 1951.

URANIUM PRODUCTION

The commencement of the production of uranium, to which I referred at the recent meeting of West Rand Consolidated Mines Limited, is the beginning of a most important era for the gold mining industry in South Africa. Some disappointment has been expressed in that in the case in which we are particularly interested, i.e. West Rand Consolidated Mines, the advent of uranium production has caused a drop in the grade of gold mined. In certain cases, of which that mine is one, the effect must be to enhance the value of low-grade ore reefs substantially above their level when mined for gold alone, and on a long-term basis will have the immeasurably beneficial effect of counteracting the increasing pay limit for ore reserves, thus reducing the tonnage of ore to be excluded from reserves by reason of its being rendered unpayable through increased mining costs.

BROADENING OF INVESTMENT FIELD

Shareholders will have noticed from the announcements in the Press yesterday morning, that your directors have made an offer to absorb the undertakings of Consolidated Rand Investment and Trust Company Limited and Transvaal Mining and Finance Company Limited. You will remember that in February, 1950, the Corporation purchased a large shareholding in the former company, which carried with it a substantial interest in Transvaal Mining and Finance Company Limited. From the information published in the circulars by these two companies, it is apparent that there is little likelihood of the payment by them of ordinary dividends for some years, and it is considered that by merging the interests, with the consequent broadening in the field of investment, the amalgamation will be of benefit to shareholders of all three companies.

It has been decided to place before shareholders of the two companies concerned proposals that your Corporation should absorb them in exchange, mainly, for the issue of ordinary and preference shares where respectively applicable, based on an issue price of £4 10s. for ordinary shares of your Corporation and at par for the 6 per cent cumulative "B" preference shares, which, unlike the "A" preference shares, carry no rights of redemption or conversion. Should shareholders of those two companies approve the scheme, the Corporation will be under an obligation to issue as fully paid, from its reserve capital, 274,440 ordinary shares of £1 each at £4 10s. per share and 250,000 6 per cent cumulative "B" preference shares of £1 each, and to pay in cash a total of £188,486.

As the Corporation cannot receive its own shares for the shares it holds in Consolidated Rand Investment and Trust Company Limited in the same way as proposed for other shareholders of that company, the Corporation will receive an equivalent value in cash, namely £126,000, in respect of 400,000 of the shares held by it in Consolidated Rand and will retain 161,466 shares in that company and also the 31,000 shares it holds in Transvaal Mining, which, after the various steps have been completed, will represent the entire issued capital of the two companies. These companies will then have a total of £62,486 cash available, from which will be paid the Consolidated Rand preference dividend, taxation and all other expenses of both these companies in connection with the offer.

The report and accounts were adopted.

Copies of the full report of proceedings can be obtained on application to the London office.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

The thirty-fourth annual general meeting of The Institute of Cost and Works Accountants was held at the Royal Festival Hall, London, S.E.1, on May 30, 1953, when Mr S. C. Tyrrell, FCWA, FIIA, the President of the Institute, was in the chair.

Mr Stanley J. D. Berger, MC, FCIS, the Director-Secretary, read the notice convening the meeting and also the auditors' report.

The annual report disclosed that at the end of the year there were nearly 4,000 members and over 11,000 registered students in various stages of qualifying. Nearly 6,000 students presented themselves for the Institute's Examinations in 1952. The three regional conferences, the National Conference at Buxton, the Third Summer School at St. Catharine's College, Cambridge, and the Sixth International Congress on Accounting, in London, had been outstanding successes. During the year the Institute Library had issued 5,000 books on loan, and the monthly journal, *The Cost Accountant*, had a steadily increasing circulation. The Institute research work had continued to flourish, and the publications of the Research Committee had been well received. The Appointments Bureau had successfully handled many hundreds of vacancies, and the Council had approved regulations for the guidance of members in practice as Consulting Cost Accountants. The report recorded the grant of Letters Patent for Supporters to the Institute's Armorial Bearings.

After the report and accounts had been adopted and the other business of the meeting transacted, the president invested Mr F. W. H. Saunders, FCWA, the new President, with the Badge of Office.

FELLOWSHIP IN MANAGEMENT ACCOUNTANCY

At the 24th National Cost Conference, held on the previous day, the President, Mr S. C. Tyrrell, stated that the recent inauguration of the Institute's Fellowship in Management Accountancy had attracted the attention of many accountants, industrialists, financiers, and Government officials. He felt that boards of directors of public companies would be vulnerable to criticism in the future if full advantage were not taken of the aids to efficiency and economical management available to them through the services of trained, experienced and qualified accountants.

INFLATION AND CAPITAL EROSION

Speaking on inflation and capital erosion, Mr Tyrrell said that "an important duty of a board of directors is to ensure that the original capital assets of a company shall not be distributed to shareholders or to its customers unless and until the undertaking winds itself up or restricts its activities below those for which the capital was first subscribed. Directors, therefore, must look to someone to provide them with the means to carry out this duty, and that service can only be rendered by the accountant who, by building up and operating an integrated accounting system, is able to ensure that the correct amount of 'anti-capital erosion preventive' is included in the cost of every production, selling or distribution process which makes use of assets which have to be replaced at any other than relatively short intervals.

"The management accountant and the cost accountant have as a *daily* pre-occupation the major task of indicating to boards of directors the proper basis for the fixing of selling prices so as to preserve intact the capital of the undertaking: they carry at the same time the added responsibility of seeking without cessation the means for reducing the cost of production, distribution and selling operations. I am satisfied that members of this Institute will make a signal contribution to the well-being of their country by a conscientious and efficient pursuit of these two objectives."

BRITISH TIMKEN LIMITED

MR JOHN PASCOE ON DEMAND AND CAPACITY

FURTHER BONUS ISSUE

Mr John Pascoe, chairman, at the annual general meeting of British Timken Limited, after referring to the death of Mr A. J. M. Duncan, a director since 1928, said:

For the third year in succession we recommend an increase in the ordinary dividend. We propose 10 per cent on the increased capital, equivalent to 30 per cent on the capital at date of the last accounts.

The ordinary shareholder who provides the capital to establish manufacturing facilities and who runs the greater part of the risk of loss and is therefore surely entitled to his reward, cannot do other than reflect ruefully on the fact that over the past five years we have paid out as net ordinary dividends £226,500, while the total set aside for taxation by the Group amounted to over £2,500,000.

We are paying as ordinary dividend a small proportion of our profits. At the end of 1951 our accounts showed capital commitments outstanding for the Group of £675,000, of which £630,000 became effective during 1952. At the end of 1952 our capital commitments were still £410,000. We have entered into further commitments since the close of the year.

This high rate of capital expenditure is likely to continue as, apart from certain directions in which we are undertaking further expansion, the replacement of obsolete equipment is still a heavy burden, and cannot be fully met from our depreciation allowances. Obsolescence is a great problem. Equipment purchased during the last seven or eight years on which we used to reflect with pride as being as up-to-date as that in any bearing factory in the world is now, due to technical development, rapidly falling to be replaced.

BONUS ISSUE

As we believe the share capital of the company should represent more accurately its total net assets, we have obtained permission from the Capital Issues Committee to capitalise a further £800,000 of British Timken Limited revenue reserves, and propose issuing two new fully paid ordinary shares for every three now held. Notices convening the necessary meetings will be posted during the next week or two.

We are transferring to the holding company's accounts £150,000 of the reserves of our main subsidiary. After this, the revenue reserves of British Timken Limited will stand at £421,379, and we hope to add to this from our results of the current year.

During the year our increased productive capacity in all our factories was very fully occupied. Turnover for the year of every operating company very considerably exceeded that for 1951.

Our direct exports also showed a most satisfactory increase, but it must be remembered that our main contribution to export trade must necessarily lie in bearings incorporated in completed equipment.

DEMAND AND CAPACITY

The year under review opened at the peak of the "sellers' market," and for the first six months we found difficulty in meeting demand. During the second six months, there was a certain falling off in trade, although all our factories were, generally speaking, fully engaged to the end of the year on both day and night shifts. The lessened demand affected only the smaller type of bearings. Demand for the larger types remained as high as ever in the company's history.

When we found difficulty in meeting demand, undoubtedly some of our European competitors were able to sell their products in this country. Part of the heightened demand was due to users, wishing to be certain of their supplies, building up stocks in the belief that the capacity for manufacture of anti-friction bearings might not meet demand. In my opinion, this country's capacity for manufacture, certainly of the smaller types of bearing, is sufficient to meet any likely demand.

All our factories are still working a day and night shift, and apart from an unexpected deterioration in the trade situation, we should be well occupied for the remainder of the year. At present our profits are rather lower than for the corresponding period of last year, but they are still running at a satisfactory rate.

Orders in hand have decreased considerably, but the orders on our books do now constitute a very real demand, and our view of the trade situation as a whole is such that we are still proceeding with our re-equipment and expansion programmes. The continued prosperity of the British Timken Group is bound up with that of the engineering industry generally, but your board take the view that we must in catering for the future assume that the trade of this country will remain at the high level necesary to support our population.

COSTS AND PRICES

We again faced increases in costs of our raw material, but we can still claim that the prices of our products have risen proportionately far less than the cost of our purchased raw material and capital equipment. Our research and development departments are unremitting in their efforts to evolve improved methods of manufacture and handling in our works.

An interesting feature during the year has been the development by Fischer Bearings Limited of what are known as miniature bearings. One of these bearings consisting of an outer race, inner race, cage and seven balls, weighs but 1/100 oz. The heaviest bearing we make weighs 3½ tons. Our manufacture covers every conceivable size of anti-friction bearing.

TAXATION

I fully share opinions expressed by industry that the taxation burden is too great a handicap for British industry to carry in its competition with the rest of the world. We welcome the crack in the ice which was slowly crushing the life out of industry, and although that ill-conceived tax known as excess profits levy is not yet dead, we are delighted to see it incarcerated in the condemned cell.

MR W. R. TIMKEN

It was with great pleasure that your directors received acceptance from Mr W. R. Timken of an invitation to join the board of directors.

The accounts were adopted. Mr W. R. Timken was re-elected to the board, and votes of thanks on the excellent results were passed to the board and the staff.

FINANCIAL TIMES LIMITED

LORD BRACKEN'S SPEECH

The annual general meeting of the Financial Times Limited was held on June 9th at Winchester House, London, E.C.

The chairman, Viscount Bracken, in presenting the accounts, said: Our earnings as newspaper proprietors are surprisingly good. Despite a sharp decline in revenue from new issue advertisements, which is usually a considerable part of our income, profits earned by the *Financial Times* are approximately equal to those reported to you last year.

WELCOME MEDICINE

Far from complaining about a temporary decline in this source of revenue, we should accept and even acclaim a development which is the inevitable consequence of a rather inadequate but altogether desirable effort made by the Government to restore some of the purchasing power of the pound which was lost by years of inflation and the crowning folly of devaluation. There is no painless remedy for inflation and as the *Financial Times* has long pressed for a return to honest money we gladly take the medicine we have prescribed and would welcome a bigger dose.

A GREAT BUSINESS NEWSPAPER

Our revenue from industrial and trade advertising steadily increases. The *Financial Times* is now as much an industrial as a financial newspaper: we can in truth claim that we publish more industrial news than any daily newspaper in the British Commonwealth. The easement in supplies of newsprint has enabled us to make numerous improvements in the services we provide to industrialists and investors. The fact that our total revenues from advertising and circulation have increased during a rather difficult year proves the wisdom of a policy which has transformed the *Financial Times* into a great business newspaper which serves almost every trade and industry in the British Commonwealth.

PLANT MODERNISATION

Revenues from our printing interests have not unexpectedly declined. This is partly due to an increase in competition, which is, of course, a healthy development. The fall in profit is almost entirely attributable to a subsidiary, the St. Clements Press Limited. This company has been engaged in a considerable modernisation of plant, and during the year took delivery of new plant and machinery to the value of £130,000. There was therefore a fairly large increase in depreciation provisions, while it was not possible during the year to bring the new plant into full productive use. Like most other British businesses we have to record a monotonous increase in the cost of wages and the cost of materials.

MERGER OF PRINTING INTERESTS

We have been considering the desirability of more closely integrating the resources of St. Clements Press and W. Speaight and Sons, and as a result a holding company is in process of formation which will take over the assets and businesses of both. To preserve the long established and distinguished names of these two businesses, so well-known in the sphere of newspaper, periodical and commercial printing, it is intended that they shall continue to trade as separate departments under their existing names. We believe, however, that the proposed financial reorganisation will be of value in the future economical deployment of their respective resources, and that the services they can offer to customers will be enhanced.

CURRENT ASSETS

You will see that the current assets of the group at £1,249,609 exceed current liabilities by £840,507. Capital commitments for the purchase of new plant and machinery amount to £62,120, against £191,850 a year ago. The liquid position therefore continues to be satisfactory.

NEW DIRECTOR

Since our last meeting, Mr Herbert C. Tingay has joined the board of the company, and you will be asked to confirm his election before the close of our proceedings. Mr Tingay is vice-chairman and managing director of George Newnes Limited, with which company we have for some years participated in the control of W. Speaight and Sons. He brings to our counsels a wide knowledge of all branches of the publishing and printing industries.

I feel sure you would wish me to thank members of our editorial and business departments for the good results recorded in these accounts.

The report and accounts were adopted.

J. H. VAVASSEUR & CO., LIMITED

(East India Merchants)

A YEAR OF READJUSTMENT

DIVIDEND OF 30 PER CENT

The forty-ninth ordinary general meeting of J. H. Vavasseur & Company, Limited, will be held on Wednesday, June 24th, at the Registered Office, 15-16, America Square, London, E.C.3.

The statement of the chairman, Mr E. J. Mackenzie Hay, which has been circulated with the report and accounts for the year ended December 31, 1952, reports:

Broadly speaking, all markets throughout the year were seeking to adjust themselves to the values and conditions of a more selective and competitive world, and having regard to the difficulties inherent in this process of readjustment, we consider the results achieved in 1952 as very satisfactory.

PROFITS AND APPROPRIATIONS

The combined profit of the group amounting to £412,524, compared with £601,624 in 1951, and after all deductions, including provision for taxation and making adjustments relating to previous years, the available balance is £155,279, compared with £195,800 in 1951. The company's net profit comes out at £75,774, against £107,160 the year before. With £81,421 brought forward, and after taking credit for £25,000 tax provision no longer required—a similar sum to that credited in 1951—there is an available balance of £182,195.

The directors recommend the transfer of £25,000 to the general revenue reserve, £15,000 to the dividend equalisation reserve and the payment of a final dividend of 25 per cent on the ordinary stock (making a total of 30 per cent for the year). After these appropriations there will be an amount of £82,258 to carry forward into the current year. The general revenue reserve now totals £260,000, the dividend equalisation reserve amounts to £75,000, and there are in addition the capital reserves and undistributed profits. The consolidated net assets total £1,676,828, against £1,645,641 a year ago.

DEVELOPMENTS

It has been our policy for some years to broaden our activities and we have several new projects in hand. A new plant has been set up in Colombo, in conjunction with associates, for the production of carbon dioxide gas, for which there is a considerable demand in the island. We are also planning, in conjunction with Ceylonese interests, the erection of a factory for the manufacture and distribution of "Schweppes" minerals, for which we have been granted a franchise for Ceylon, including the important international shipping trade calling at Colombo.

Both in Malaya and Ceylon we have secured additional agencies for important shipping lines.

In Malaya we have concentrated our rubber business into a partnership in a new company, Stanley Ward, Vavasseur and Waterhouse, Limited, the object of this company being to grade, pack and ship rubber of its own selection, and thus be able to guarantee quality standards to consumers—a long-felt want.

THE OUTLOOK

All the indications are that the terms of trade between primary products and manufactured goods will continue to move in favour of the latter, and in this event produce and commodity trading and markets may have a further period of readjustment before them. I may remind you, however, that we are not particularly affected by the fluctuations of the markets, for the reason that we do not speculate in stocks. Our main business is the purchase day by day from the producer or manufacturer to sell to the consumer or to ourselves as processors, and our profits arise from the margins we are able to earn from these activities. We do not expect a return to the abnormal profits made in 1950 and 1951, which were largely owing to the rocketing prices which followed the outbreak of hostilities in Korea. Our turnover and earnings to date this year are well up to the average of the years preceding the recent spectacular period, and we look to the future with confidence.

SELANGOR RIVER RUBBER ESTATES LIMITED

TAXATION'S HEAVY TOLL

The twenty-first annual general meeting of Selangor River Rubber Estates Limited, was held on June 9th in London, Mr J. Bligh Orr (the chairman) presiding.

The following is an extract from his circulated statement: The decline over the year in the price of rubber naturally is reflected in the accounts now presented, and we show a profit of £59,295, as against £84,838 for the previous year. The profit represents almost 20 per cent on our issued capital, but, as usual, tax takes its heavy toll and this year, at £40,178, absorbs two-thirds of the profit. We were assisted to some degree by a favourable forward sale, but, nevertheless, our net average price for sales fell by 3.09d. to 26.25d. per lb. Our cost of production, including replanting, export duty and all head office expenditure, was almost the same as for the previous year, the respective figures being 18.75d. and 18.82d.

Excluding our trade and subsidiary company investments, our net liquid assets stand at £32,278, against £31,616 a year ago. While this figure is not particularly high in relation to our issued capital, we must remember that we have considerably improved our main asset, our estate, by replanting over 55 per cent of the acreage with high yielding stock, and this we have financed from revenue while continuing to make a reasonable return to stockholders.

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

HUMPHREYS LIMITED

(Building and Civil Engineering Contractors)

IMPROVED RESULTS DESPITE DIFFICULTIES

MR A. V. BRIDGLAND'S STATEMENT

The sixty-first annual general meeting of Humphreys Limited was held on June 9th in London, Mr A. V. Bridgland (the chairman) presiding.

The following is an extract from his circulated statement:

The profit for the year is £24,495 after tax, as against £23,748 last year. This profit has been achieved despite the many difficulties that contractors have to overcome in their business, not the least of which is the continued and highly contentious issue in regard to controls and licences.

Since I last addressed you the issued capital of the company has been increased by the bonus issue of £100,000. After providing for our dividend requirements, the profit and loss carry-forward drops from £67,791 to £51,335, but this drop is obviously due to the transfer of £75,000 to general reserve.

SOUTH AFRICAN INTERESTS

Shareholders will see that the company has acquired interests in two South African companies. In R. H. Morris, Limited, we own 76 per cent of the ordinary shares and between that company and ourselves we possess 51 per cent of the issued capital of National Quarries (Pty.), Limited.

Originally it was the intention of the board to form a subsidiary company in South Africa, in order to participate in the development of that country. The opportunity occurred, however, of purchasing an interest in R. H. Morris, Limited, a contracting and building concern of good repute and long established in the Cape (75 years). Through this company, the board felt that we had a solution more satisfactory than starting a subsidiary *de novo* for our purposes.

We have sent out in all £70,000 to date by way of loan to R. H. Morris, Limited, to steady its finances, a substantial portion of which we propose to convert into ordinary shares in that company, leaving a balance on loan which will gradually be redeemed. This sum is in addition to the cost of the shares purchased in the two subsidiary companies totalling £55,742. At the time we acquired our shareholding in R. H. Morris, Limited, that company held about one-third of the capital of National Quarries (Pty.), Limited.

The business of National Quarries (Pty.), Limited, is a prosperous one and there seems little doubt that good dividends can be got from the investment in this company, whose reserves should also increase substantially each year.

Statements are often made in the press about the need of improvement in building methods so that costs can be reduced. But one of the most potent factors causing increasing costs is the present licensing system. I suggest that the system has long outlasted its usefulness, and is a cancer upon the industry. Eliminated, it would save a great deal of Government costs as well as our own. The number of men employed in the industry today approximates the number prewar, when we built 350,000 houses per annum, apart from all our other normal requirements, and there is no reason to suppose that that effort cannot be repeated at far lower cost to all if freedom to the industry were granted. The report was adopted.

MANCHESTER OIL REFINERY, LIMITED

REASONS FOR REDUCED GROUP PROFIT

MR H. STUART EBBEN ON THE OUTLOOK

The fifth annual general meeting of Manchester Oil Refinery, Limited, will be held on June 29th at the registered office of the company, 170, Piccadilly, London, W.

The following are extracts from the statement by the chairman, Mr H. Stuart Ebben, OBE, circulated with the report and accounts for the year 1952:

The group profit for the period before taxation amounts to £29,382, as compared with £345,373 of the previous year. Stockholders will wish to know the causes which have brought about such a material reduction in profit.

Mention was made in my statement last year of a special refining operation which had then been brought to a conclusion: the 1951 results were in consequence thereof improved to the extent of approximately £50,000 by this non-recurring income, while on the other hand the provision for depreciation, which was exceptionally increased in this connection last year, now reverts to normal.

FOUR PRINCIPAL CAUSES

Otherwise there are four principal causes of the reduction in profits. The full effect of substantial wage increases which took place near the close of 1951 was felt during 1952, together with further additions which were made during the latter year. The cost of charge stock was higher, due to the exceptionally high freight rates which prevailed during the first four or five months of 1952, despite the partial long-term cover to which I shall refer later.

The restriction of credit and the general reduction of stocks held by consumers severely affected sales of certain specialised products during part of the year, necessitating adjustments in the refinery programme which entailed the diversion of charge stocks into less remunerative channels in order to avoid the undue building up of stocks of finished products. I am glad to be able to report that, although there has been some reduction in the prices of these specialised products, sales in recent months have risen materially from the low point touched in 1952.

WRITING DOWN OF STOCKS

Lastly, it has been necessary to make a substantial provision of no less than £58,000 for writing down the value of our stocks of containers. In recent years, due to shortages in this country which should not recur, we have had to supplement domestic supplies by imports of drums from abroad, which have cost considerably more than their British counterparts.

As a result of import restrictions in certain overseas markets our usage of them contracted materially during the year and our long position was accentuated by contracts for future delivery which had to be entered into during the period of shortage. The stock of drums as at the close of the year has been written down to market value and based on current utilisation no further losses should be incurred; by the end of this year the physical volume of drums on hand should not be excessive. The burden of these additional costs was in part offset by economies in the organisation as a whole, the full benefits of which should be realised during this year.

Reference must also be made to the collapse in tanker freights which took place during the year. Whereas the spot rate for charter tankers in January, 1952, was 162s. per ton for a journey from a representative port on the US Gulf to Manchester, in December this rate had fallen to 57s. 3d. per ton and currently it is 33s. 6d. per ton.

The new distillation unit was completed early this year and has started routine operations. It has given every satisfaction both as regards its capacity and the quality of its products. The work on this installation was completed on schedule and its cost was within 4 per cent of the original estimate.

DIVIDEND 10 PER CENT

Your directors recommend the payment of an ordinary dividend of 10 per cent, less tax, which will require £21,450, and it is proposed to transfer the sum of £100,000 to a reserve for contingencies. If these appropriations are approved, there will remain balances to be carried forward of £68,330, as compared with £38,979 brought forward from the previous year.

While the trading results of the group for the year under review were disappointing, it is my opinion that the company has surmounted satisfactorily the great difficulties with which it was faced during that year. Although your company is only a small independent unit in an industry which is dominated by a number of large individual companies representing vast investments of capital, it has two assets which enable it to look forward to the future with confidence; these are a first-class team of senior executives and a good plant, which stands in our books at very much less than its replacement value.

BARTON & SONS

The ordinary general meeting of Barton & Sons, Limited, was held on June 9th in London, Mr A. H. Redfern (the chairman) presiding.

The following is an extract from his circulated statement:

The change in trading conditions is reflected to a small extent in the accounts before you which show a decline in profits, but I think that you will consider the results to be satisfactory.

The group trading profit is £690,509 compared with £772,766 for 1951, and after providing for all normal charges including depreciation there remains a profit of £560,657 from which taxation of £337,307 is to be deducted, leaving a net profit for the year of £223,350 compared with £292,742 for 1951.

The 10 per cent final dividend recommended on the ordinary stock is, of course, payable on the stock increased by the bonus distribution in December, 1952, and would be equal to a 12½ per cent dividend on the holding prior to that date.

Our overseas interests, I am pleased to say, are contributing their fair share towards the profits of your company, and these should be augmented during the present year through our interests in a Canadian company, which commenced production of welded tube in August, 1952.

Regarding our prospects for 1953, although order books in some of our companies are full, in others the position remains unchanged. You will see from the accounts that, after deducting preference dividend from the net profit, the ordinary dividend provided in these accounts is covered more than 5½ times.

The report was adopted.

BRIGGS MOTOR BODIES

FUSION OF INTERESTS WITH FORD MOTOR COMPANY

The eighteenth annual ordinary general meeting of Briggs Motor Bodies, Limited, was held on June 9th at The May Fair Hotel, Berkeley Street, London, W.1, Mr S. W. Cochran (deputy chairman and managing director) presiding.

The following is an extract from the circulated statement of the chairman, Mr W. D. Robinson:

The report and accounts for the year 1952 again disclose a position which I feel sure can be considered satisfactory. 1952 was a year of great achievement for your company. Our volume of business again broke all previous records, and I am pleased to report that levels of production called for by our customers were successfully met, despite the difficulties which were encountered during the year.

Production for the motor industry alone reached an all-time high and production of jet engine components for the aircraft industry made rapid progress during 1952.

TRADING RESULTS

The net profit (after taxation) for the year amounted to £769,617 and compares with a corresponding figure of £754,721 for 1951.

The results to date this year have been satisfactory. During the first four months of this year our sales have substantially exceeded those of 1952, but the future, particularly as regards production for the motor industry, is too uncertain to derive any reliable indication for the rest of the year.

I would now like to turn to the already announced important acquisition by Ford Motor Company, Limited, of the controlling shareholdings in your company and of the offer made to acquire the remaining shares. This offer, if fully accepted, will result in the complete fusion of interests of the two companies.

As you are no doubt aware, since the inception of our company, Ford Motor Company, Limited, has been our largest customer. The chairman of Ford Motor Company, Limited, in his statement accompanying that company's report and accounts for the year 1952 sets out information relating to that company's negotiations with Briggs Manufacturing Company for the acquisition of their controlling interest in Briggs Motor Bodies, Limited, the reason for purchase underlying these negotiations, the circumstances surrounding the Ford Company offer now made for the remaining shares and their proposals thereunder.

Your directors affirm their unanimous opinion that having regard to all the circumstances the terms are fair and proper, and they therefore recommend the offer for acceptance.

Briggs Manufacturing Company has informed us and I am authorised by that company to state that, at the time the terms of purchase of their controlling interest was arranged, an assurance was given to that company by Ford Motor Company, Limited, that it was not their intention that the change in control should result in Briggs Motor Bodies, Limited, failing to carry out any current or planned production programmes which have been mutually agreed with existing customers, or in the disturbance without fair and reasonable notice of the present course of business with those customers, nor in the present terms and conditions of service enjoyed by our staff and personnel being adversely affected.

The report was adopted.

THE CENTRAL MINING & INVESTMENT CORPORATION

DIVIDEND INCOME WELL MAINTAINED

The forty-eighth annual general meeting of The Central Mining & Investment Corporation, Limited, was held on June 8th in London, the Rt Hon Lord Baillieu, KBE, CMG (the chairman), presiding.

In the course of his speech the chairman said: From the profit and loss account it will be seen that our dividend income was well maintained. There are only two respects in which the figures for the year vary substantially from those of the preceding year—namely, in the profits from realisation of shares and in the taxation provision. As to the former, the profit of £27,893 was barely one-tenth of that in 1951 and clearly indicates how unfavourable conditions on the stock markets were for us last year. As a result of these conditions we have had to make very substantial provision for diminution in the value of shares in our portfolio at December 31st. £263,699 have been debited in the profit and loss account and the balance required — namely, £302,252 — has been charged to investment reserve.

GOLD-MINING INDUSTRY

During 1952 the gold-mining industry as a whole was able to report an increase in both tonnage and grade of ore milled, but in spite of the fairly substantial increase in the number of ounces produced, the profit fell by more than £8 million, or 3s. 2d. per ton milled. Of this fall approximately 10d. per ton can be attributed to the reduction in the premium revenue received for sales of gold for non-monetary purposes and the remainder to the increase in costs which was the most striking aspect of the year's operations.

Shortages of African labour and of power hampered the mines during the year in their endeavour to attain full milling capacity. The situation is one causing concern and special steps are being taken by the industry in the hope of improving the supply.

The results for the Group, even allowing for the influence of the Blyvooruitzicht mine —which, indeed, affects considerably the figures for the industry as a whole—are less favourable than those of the average of all producing mines. In view of the remarks I have already made on the subject of increasing costs and decreasing labour and in the light of my comments on deep level mining at last year's meeting this will not cause you surprise.

During the year under review, a total of approximately £36 million was expended upon the equipment and development of the 19 new gold mines which have started shaft-sinking since the war between West Driefontein and Virginia. Four of these mines are now producing and, on seven others, first-stage mill construction is either complete or so far advanced as to be ready for service at short notice.

An important milestone in the history of mining in the Union and in the economy of the country was reached in October, when the first uranium extraction plant at the West Rand Consolidated Mines was started up.

Two gold-mining companies of the group —Blyvooruitzicht and Harmony—are among the potential producers of uranium. The big installation at Blyvooruitzicht, upon which capital expenditure of approximately £3,500,000, financed by Government loans, has been incurred, is expected to come into production in the near future.

The report was adopted.

SHEFFIELD TWIST DRILL AND STEEL

HEALTHIER TRADING POSITION

The sixth annual general meeting of the Sheffield Twist Drill and Steel Company, Limited, was held on June 11th at Sheffield, Mr Alexander Dormer (chairman and managing director) presiding.

The following is an extract from the circulated statement by the chairman for 1952:

We have special reason to congratulate ourselves on the trading results of the year 1952. The profit of £768,073 shows a small increase over that of the previous year. Last year I warned you that the profits of 1951 would not necessarily be repeated. Happily, our order book was such that we were able to continue at the same rate of production throughout the year. By the end of 1952 we had satisfied all accumulated orders and had reached the position of increasing the stock of finished goods.

MORE NORMAL CONDITIONS

The abnormal demand has abated and we are now back to a much more normal, stable and healthier trading position. As a result, we are now able to make deliveries of all standard tools ex stock, which we were always able to do before the war. Stocks have now been, or are being, established in London, Glasgow and Manchester.

The intention of your board is to make the company's products more readily available throughout the country, thus improving the prospects of obtaining as large a share as possible of the engineering industry's requirements. Our long-established policy of distribution through our merchant friends will not be affected.

Quality engineers' cutting tools, as made by your company, have always enjoyed a good export trade. In 1952 we achieved a very satisfactory export figure, since then it has become more difficult for our agents to obtain good import quotas in the countries where they represent us. This country's main export is the labour content of the goods we sell, and we earnestly commend to Her Majesty's Government this simple fact.

When reciprocal trade negotiations are under discussion it is the practice of other nations to fix quotas for individual export items and, until universal liberalisation of trade is achieved, our negotiators should, and must, adopt the same policy.

The surplus of assets over liabilities has increased by £159,512 to £1,622,186. The net current assets contribute £139,804 of this increase and both the items of sundry debtors at £270,081, and of stock at £278,422, on comparison with the year 1951, are indicative of my earlier remarks on the subject of sales and stock.

FINANCIAL STRENGTH

Our financial position goes from strength to strength.

Taxation continues to be an excessive call on our resources. This year £125,000 alone has had to be provided for excess profits levy and we are relieved to learn that this heavy charge on our business will be discontinued from January 1, 1954.

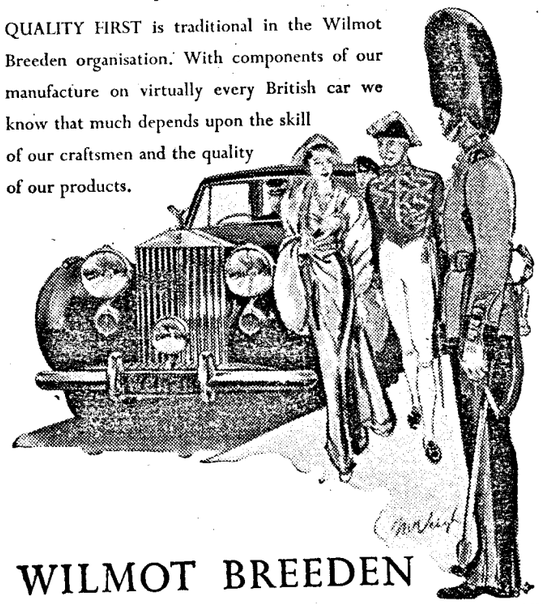
From present indications sales are improving, and whilst it is reasonably clear that our turnover will be less than last year, there is no cause for pessimism.

Your directors have maintained the proposed final dividend of 1s. 4d. per unit and in addition, as a special distribution, a Coronation bonus of 5 per cent has been proposed.

The report and accounts were adopted.

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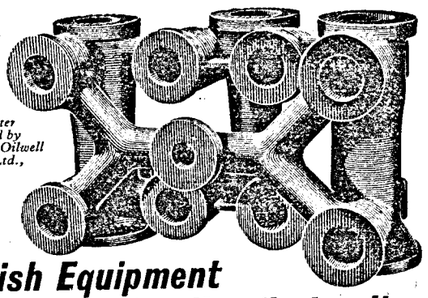
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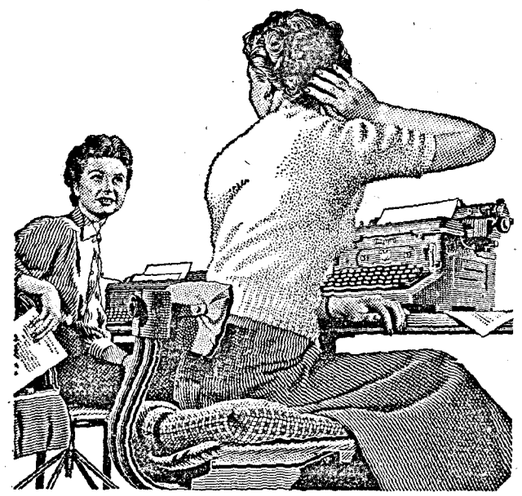
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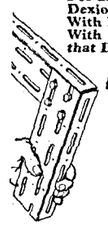
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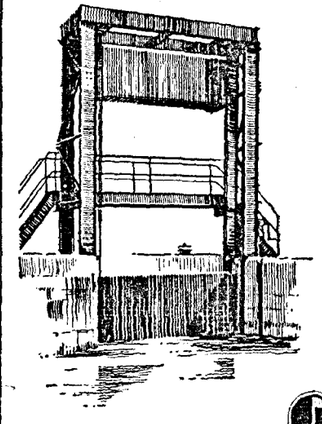
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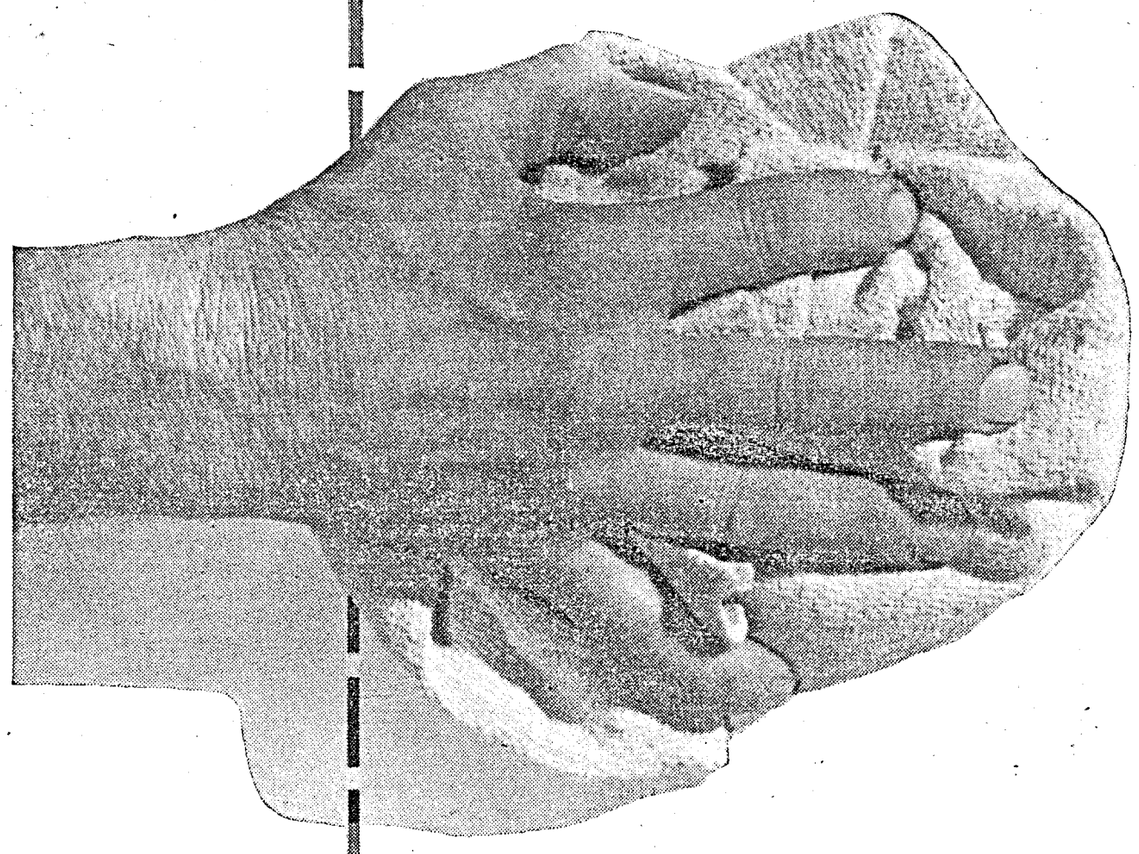
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Socialism in Dilution

THE Labour party's new statement of policy, which was published on Wednesday, has some important merits. It rests, at least in appearance, on a reasoned assessment of Britain's economic needs. It is sparing of the extravagant promises to which politicians in opposition are prone. Its Socialist prescriptions are more restrained than the left-wing victories at the party's conference at Morecambe last autumn might have indicated.

These are the document's principal virtues. Inevitably, the policy as a whole makes sense only in its setting—the setting of party tension that has fashioned it. The result is confidently proclaimed as "a programme of action for the next Labour government," offered to meet the "Challenge to Britain"; but everyone knows that it is also the outcome of a desperate struggle to find the highest common factor of opinion within a party deeply divided and confused. It is salutary for the critic to think how different the programme might have been, if the Left of the party had been allowed to have all its own way and the Right had made no recovery at all from its demoralisation last autumn.

In fact, the Right's recovery—its uphill fight against the doctrinal and emotional pressures of the Labour movement—is considerable. A charitable judge might say that, considering the strength of those pressures, the Labour policy-makers should be congratulated for achieving as much realism and moderation as they have. A bad policy may be understandable because it is the least that will fob off the Socialist zealots who are the constituency delegates at a Labour conference. But it does not on that account become a good policy, and it is difficult to find in "Challenge to Britain" much more than the negative virtues of compromise. The main proposals are mostly of a familiar kind. Controls on foreign trade and payments will be tightened, and the sterling area will become a closer association. Steel and road transport will be renationalised; undefined parts of the machine tool, mining, machinery and chemical industries will be, in some sense, nationalised (the circumlocution "brought into public ownership" is studiously preferred); powers of nationalisation will be held over some other industries; and various sorts of government control, supervision and aid to industry will be intensified. More aid to agriculture will be combined with more vigorous dispossession of farmers judged to be inefficient; price controls will be renewed; companies will in some way be forced to plough back their profits into the business. Health service charges will be abolished; schools are to become "comprehensive" and there will be more technical education; some private landlords will have their houses taken into municipal ownership.

All this, and particularly the economic policy, does not indicate much more than a new gloss on the inadequate improvisations of Mr Attlee's governments. Discussion, both inside and outside the Labour party, will inevitably concentrate on the proposals for public

ownership, which are at least distinctive in that they break with the previous pattern of large, industry-wide public corporations. They are also closely tied, in the policy statement, to a recognition of Britain's continuing economic difficulties, to an appeal to the public based on "the harsh facts of life." That stands in welcome contrast to the Labour complacency of 1950, to the ostrich-like ignoring of the crisis in 1951. It is a frankness that comes more easily to a party in opposition. The actual relation between the country's economic needs and the Labour programme is probably as far as ever from being a relation of cause and effect. On the contrary, it would be more true to say that if the economic outlook had not in fact been highly uncertain the Labour policy-makers would have been compelled to imagine the country into difficulties. For the economic problem becomes, in the new policy statement, the means by which the Labour party's own conflicts can be resolved. For internal consumption within the party, it is presented as the reason for moderation, the reason why the social services cannot quickly be further expanded and why the programme of nationalisation is limited:

> Though the general case for nationalisation is compelling, we advocate nationalisation here only for those industries where the immediate national need makes the case overwhelming.

At the same time, for general public consumption outside the Labour party, economic stringency is presented as the reason why men so sound and moderate as Labour's leaders advocate "the drastic Socialist measures which alone can prevent catastrophe."

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The needs of economic policy are thus made a basis for compromise between the right and left wings of the Labour movement. That is convenient for the writers of policy. Indeed, it is a very neat trick. But do they really believe that the result can be convincing? Within the party, the friends of Mr Bevan have already made their dissatisfaction public. When the programme is put to the Labour conference in the autumn, they will press for the nationalisation of some land, for a more precise commitment about nationalising the chemical industry, and no doubt for other leftward variations of the policy. They may well succeed, for the programme falls somewhat short of the list of major nationalisation measures on which last year's conference insisted. At present, however, the proposals deserve to be judged as they stand, and the question is whether the comparative moderation of their Socialism will be accepted by the non-Socialist voter as evidence of Labour's competence to solve the national economic problem.

"Challenge to Britain" offers little argument except a general principle: an industry should, it seems, be nationalised if its expansion can play an important part in increasing exports. But this, if it is proved at all, surely proves too much: it would justify a nationalisation programme extending far beyond the undefined parts of three industries. They seem to be arbitrary choices, and no particular reasons are brought forward to explain them. It may be agreed that the machine tool industry, for example, has an obvious opportunity both to save dollars at present spent on imports of machinery and to earn more foreign exchange by exports. But how will nationalisation (precise form unknown) help the industry to do so? Will the nationalised firms be more inventive, more flexible? Will they take more risks? Will they be more untiring in the search for markets? Will they achieve a higher productive efficiency? Will they cut costs more finely below those of overseas competitors? Will they inspire more confidence in foreign firms buying machinery? Will they be more prompt to expand their plant to the limit of the demands for its products? All these advantages of public over private enterprise are conceivable. But most of them are hardly likely, and they certainly are not proven. On the whole, both argument and experience point very strongly the other way.

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There is, indeed, a fundamentally false ring in this new doctrine of state ownership as the instrument of export expansion. If the underlying idea has any validity, it should lead to very different proposals. If there are gaps in Britain's industrial effort, where state enterprise would economically expand capacity, the natural area to search for them is surely not in well-established industries such as chemicals and machine tools—industries well placed to obtain the capital for any expansion that the managements think worth while. The most likely field for state enterprise in an expanding economy is where private enterprise is undeveloped: in new industries and new products, where the risks are great and the private entrepreneur—in an age of capital scarcity and high taxation of profits—may well hang back. Even in this field, the case for state ownership (as distinct from state encouragement) is highly questionable, but at least it would follow logically from the idea of nationalisation as a means of economic expansion. The present proposals do not.

The real point of these proposals is therefore open to little doubt. They do not express a new approach to nationalisation, a response to the economic problems of postwar Britain. There are Labour politicians and theorists who like to imagine themselves offering a new, entirely practical form of industrial organisation to plug the gaps of an inefficient capitalism. But there is nothing of this in the programme. Its proposals are to take over what capitalism has already established; indeed, they make nationalisation the penalty of success for the private firm, and they indicate almost nothing about the changes in organisation that would follow on public ownership. Though the form is different, the motive remains the same as that which inspired the giant nationalisation schemes of 1945-48. It is the wish to "transfer the keys of economic power from private to public hands." That is not done for the sake of economic expansion. On the contrary, it is done for the sake of Socialist doctrine; it is done the more stubbornly because experience has shown that there is no real content whatever in the doctrine; and it is done regardless of the disturbance to industrial management. That disturbance is likely to inhibit expansion in the short run, and the short run may well be decisive.

All this is greatly disappointing. A new Labour programme, a new enthusiasm on the Left, was the need not of the party alone but of a healthy British politics. "Challenge to Britain" is a poor outcome of all the "rethinking" that has been going on. The more cautious politicians and more inventive minds of the Labour movement may put a new gloss on the old doctrine; they may give it some apparent relation to the immediate economic tasks on which these islands depend for their future livelihood. But if the relation is difficult to establish, it is, apparently, the doctrine that must still be served. There can be no complaint about this, if it is what the active membership of the Labour party really wants. But if so the conclusion for the general public to draw is that a vote for Labour at the next election will be a vote for blindness.

France's Crisis of Conscience

IN the present crisis, which began on May 21 with the fall of the Mayer government, France is passing through a "moment of truth." No one, in the past weeks, has been more critical of France's unworkable constitution and apparent helplessness than the French themselves. M. Reynaud's speech to the National Assembly, when seeking in vain for a vote of confidence, will stand as a classical indictment of the Fourth Republic. M. Herriot, France's elder statesman, has described the present interregnum and sense of stagnation as more anguishing than anything he had previously experienced in his long career. Thundering from his Olympus, General de Gaulle has stated flatly that no link now exists between the will of the nation and the practices of its wayward representatives. Even the steady patience of President Auriol has been wearing thin as candidate after candidate for the premiership has been prevented from solving this eighteenth cabinet crisis in postwar France.

This crisis, however, has brought far more than criticism and exasperation. It has liberated a great many ideas and political conceptions hitherto disguised for reasons of party expediency or from a wish to avoid a showdown with France's allies. Things have been said about Indo-China, the European Defence Community, North Africa, and France's share in the burden of western defence, which cannot be unsaid. Whoever finally succeeds in obtaining the mandate of the Assembly, he will have to take into account the programmes put forward by M. Mendès-France and M. Bidault, both of whom received a wide measure of support. During these weeks of controlled anarchy, the French ship of state has subtly altered course and it is an important question what course it will steer for Bermuda.

Indo-China offers the clearest instance of a problem on which ideas, cautiously hinted at by statesmen, have captured the attention and hopes of the French public. Any future prime minister knows that he will have to build with the difficult material left by M. Mendès-France, who, though he refused to give details, promised the Assembly that he would end the bitter war. He let it be known, moreover, that what he had in mind was some form of negotiation with the enemy, either directly with Ho-Chi-Minh, or within the framework of more general talks with Peking. M. Bidault, though he did not go quite so far, agreed that the burden of Indo-China was the central fact in France's continuous economic and political disequilibrium and insisted that there must be a solution. Psychologically, moreover, Indo-China dominates French thinking about European integration and Atlantic defence, and it will come first on the agenda of any future government.

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All too frequently the rest of the free world forgets the extent of the French sacrifices in Indo-China. The French regular forces have suffered well over 80,000 casualties in the Indo-Chinese war and the number of French officers put out of action equals the total number of graduates from Saint-Cyr for the past four years. France has spent in Indo-China an average of $1,250 million a year, or twice as much as it has received under Marshall aid. In proportion to national income per head and to manpower, France's burden in Indo-China has far exceeded that of the United States in Korea or that of the United Kingdom in Malaya. More important, this seemingly endless struggle, which France's allies tend to regard as a matter of course, has been solidifying Communism in France itself. Up to the present, no coalition government has succeeded in convincing the nation that the open wound in the Far East is either beyond curing or necessary to the safety of France. The Communists have branded it "this dirty war" and the one solution in which almost no Frenchman now believes is a clear-cut military victory. Everyone knows that whereas Indo-China is 7,500 miles from France, Hanoi is only 90 miles from the armies of Mao Tse Tung.

What, however, is the real solution in Indo-China?

Clearly, it is the creation and maintenance of an independent Viet Nam—preferably one that would freely choose to remain within the framework of the French Union, but in any case fully independent. The responsibility would then no longer be that of one country alone and France's burden would be shared by the rest of the free world on whose behalf the war has been fought. This, moreover, is the kind of programme for which France might expect to receive the fullest support from America, where the stigma of "imperialism" has kept many people from seeing clearly what was involved in Indo-China. Unfortunately, however, relations between France and the Associated States have been deteriorating steadily and it now seems as if some French statesmen would find it easier to negotiate with the Viet Minh than with their own allies in Viet Nam, Laos, and Cambodia. More is involved than the potential loss of vital supplies of natural rubber and tin: what is at stake is a joint venture in democracy between the West and an Asian country of some twenty-five million people.

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The feeling that France is being bled white in the Far East while Germany regains its former strength has been one of the main factors in the mounting French hostility towards the treaty for a European Defence Community. M. Bidault promised in his programme that EDC would not come up for debate until the Saar problem had been solved, until all the additional protocols to the treaty had been signed, and until France could persuade the United Kingdom to draw closer to the European Community. M. Bidault was actually saying, in a polite and neutral manner, that the issue of EDC would, at best, be shelved until late autumn or winter. No other candidate before the Assembly will call for an earlier date or more pressing schedule. As a result, whoever represents France at Bermuda will have to admit either that the prospects for EDC are hopeless, or that the only hope is to wait.

French statesmen feel that they do not wish to go further with EDC before the outcome of the West German elections is known or until it becomes much clearer than it is today what lies behind the flock of doves released from Moscow. The fact that their hesitations may contribute to Dr Adenauer's defeat and create a stalemate on the Saar, or that the Russian tune may revert to its old menacing key once it is clear that the European Defence Community is dead, has not impressed them. No one in France has offered any practical alternative to the EDC, and most people in Paris are now ready to admit that its collapse will not prevent the rearmament of Germany. Nevertheless, so strong is the mood of pure negation that there is very little prospect of a government that could afford to be any more realistic on this issue than its predecessors. The present French mood is founded on the hope of a *détente* with Russia and of an arrangement over Germany which will leave the latter unarmed and, at the same time, politely silence the voice of conscience, with its American accent. This is not a political programme so much as the libretto of a day dream. But it will play an increasing role in French political life and will have to be reckoned with at Bermuda.

These conceptions, moreover, are convincing many Frenchmen that a cut in the defence programme is an essential part of any cure for France's economic ailments. Admittedly, the French military expenditures, which represent nearly eleven per cent of the national income, have created a financial strain. Moreover, as is pointed out in the recent report of the French Commission on the Nation's Economic Accounts and Budgets, the rearmament programme has hampered French export industries. It has retarded retooling and made it more difficult for them to respond to changes in world demand. The report also underscores the deep-rooted fact that behind France's economic difficulties there lie thirty years of almost continuous inflation. France has been willing to accept neither the discipline of economic planning, nor that of a really free competitive system. As a result, the economy has become rigid; during inflationary periods production has not increased swiftly enough and during periods of falling demand prices have hardly declined, and what price decreases there have been do not find their way to the public. In France, moreover, inflation and recession are simultaneous rather than alternative perils. Underemployment is spreading, in spite of a budgetary deficit of 800 milliard francs—that is, of £800 million in a national income much smaller than the British.

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That this state of affairs is as unfortunate for France's friends and allies as it is irritating to them goes without saying. It does not follow, however, that they can do anything about it. External pressure and advice can often produce the opposite of the result intended, particularly where wounded pride is concerned. Even the repetition of what seems, outside France, to be the obvious truth that many of the problems of the French people would be solved, and the rest mitigated, if only they would give themselves an effective form of government—even this truism may act as an incitement to obstinacy. Nobody can help the French until they are at last ready to help themselves—indeed, the key to the whole problem lies in finding means to break through the present apathy of the average Frenchman. There are observers both inside and outside France who, for this reason, want the crisis to get worse and worse, in the hope that, as has happened before, at the fifty-ninth minute of the eleventh hour, a statesman will appear (it might this time be M. Vincent Auriol himself), who will form a government strong and broad enough to carry out the necessary reforms. This can be no more than a hope, and a rather desperate one. But if the moment of redemption comes, others must be ready to help. The plans of the free nations may for a time have to be drawn up without counting very much on the French. But they cannot get very far without France.

Trading With Mao and Malenkov

EAST-WEST trade is in the air. It will be a focus of interest in coming weeks, whether peace is made in Korea or not. Nor will this be wholly due to the Communists' intensive propaganda. They, no doubt, will claim the West's growing attention to the subject as the fruit of last year's Moscow economic conference and of the subsequent tireless campaigning by Moscow-sponsored bodies. They could hardly be more in error. In point of fact, the free world was deterred rather than attracted by the propagandist ballyhoo staged at Moscow by Mr Nesterov and his team, who blew monstrous bubbles of fantasy that were all too easily pricked (one was an offer of 3,000 million roubles' worth of Soviet capital equipment for South-East Asia). If western businessmen are now ready to take east-west trade more seriously, it is precisely because the Communists have dropped their "Nesterov figures."

When, earlier this year, the Communists took up a long ignored invitation to trade talks at Geneva under the auspices of the UN Economic Commission for Europe, they still demanded strategic goods as the price of broader trade; but they eschewed propaganda and gave the impression of men genuinely, if uncomfortably, in search of straightforward deals. Their behaviour reinforced the growing belief that the Communist world, faced with the task of industrialising China, with economic strains and stresses in eastern Europe and, perhaps, with the need to relieve the Soviet citizen's austere living conditions, now at last wants trade with the free nations for other than strategic reasons. Appreciation of this fact is of great importance at a moment when the news from Korea is turning many in the West to thoughts of freer trade with China and, indeed, with the whole Communist world; while the news from Moscow makes others wonder what cards the West can play to induce Stalin's heirs to come to reasonable terms.

What is now the right course to take as regards trade with the Communists? Should the apparatus of controls which the free world has built up, largely under the pressure of the Korean war, be dismantled if that war now ends? Should it remain intact even if peace comes in the Far East and the Communists continue to make conciliatory moves elsewhere? Or is there a third course to be followed? Before these questions can be answered, it is essential to establish the truth about east-west trade. Few subjects are veiled by more illusions carefully fostered by interested parties.

To begin with a crude but surprisingly widespread error, it is not true that current restrictions amount to the virtual strangulation of east-west trade. Between 1950, when the Korean war began, and 1952, the first full year of the operation of the Battle Act, western Europe's exports to Russia and its European satellites fell by only 13 per cent. In Europe alone, east-west exchanges in 1952 totalled over £555 million. Even the United States bought $28 million worth of goods from Communist China in 1952.

It need scarcely be said that this trade in non-strategic commodities in no way endangers the free world. But, since many people have the impression that the United States, while maintaining its own tariff barriers, constantly presses its allies to reduce all their trade with the Communists, it must be recalled that both Mr Dulles and Mr Stassen have recently defended the right of other western countries to deal in non-strategic goods with Communist nations. Moreover, the administrators of the Battle Act, which requires the suspension of American aid to any country that supplies the Communist bloc with strategic goods, have shown a remarkable understanding of their allies' difficulties in operating their admittedly cumbrous mechanism. It is not so easy as some pretend to find here a clear-cut divergence between the United States and its allies.

More dangerous than mistaken ideas of the current condition of east-west trade are illusions about its potentialities. It is often argued, and not only by Communists, that by trading more actively with the East the free nations can rid themselves of unemployment, raise their standards of living, and have done with their dollar problems. This is to ignore the most obvious limitations to the possible scope of east-west trade, namely, the hard facts.

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Let us first consider the Communist bloc as a source of supplies. In the past, Britain has been among Soviet Russia's best customers. Yet the highest percentage of total British imports ever supplied by the USSR was 3.75 per cent in 1931; and the average for 1935-38 was only 2.2 per cent. The five countries which are now Russia's European satellites—Poland, Czechoslovakia, Rumania, Bulgaria and Hungary—provided only 2.5 per cent of British imports in 1935-39. The postwar picture is even less encouraging. Although, under the Marshall plan, the western countries made great efforts to revive trade with eastern Europe, their success was limited; in 1949 the satellites could provide Britain with only 1.14 per cent of its needs, while Russia provided 0.7 per cent. A similar sharp fall took place in the Soviet bloc's total shipments to western Europe, and the reason is not far to seek. Before the war the pattern of trade was mainly an exchange of eastern primary products—timber, grain, foodstuffs, and coal—for western manufactures. But as soon as the Communists gained control over the satellites, they hastened to free them from this "exploitation" by expanding industry. Meanwhile, industrialisation was also pressed forward in Russia. Inevitably, the East

now has less to export of precisely those few commodities of which it was once a useful source for the West. Thus Russia, which before the war provided 14.5 per cent of Britain's imports of wood and timber, provided in 1948-52 only 5.5 per cent of a much smaller total. Grain shipments from the satellites to western Europe fell from an average of 2.6 million tons in 1934-38 to 0.3 million in 1951-52.

It is clear that the trend to industrialisation, and with it the decline in exportable surpluses of primary products, will continue. Yet it is inconceivable that the Communist bloc, in ceasing to export primary products, can become at any early date a major exporter of the products of industry. Its own needs for such products are enormous, now that it has engulfed China ; and there is still no sign of the machinery and equipment that it has promised to Asiatic countries.

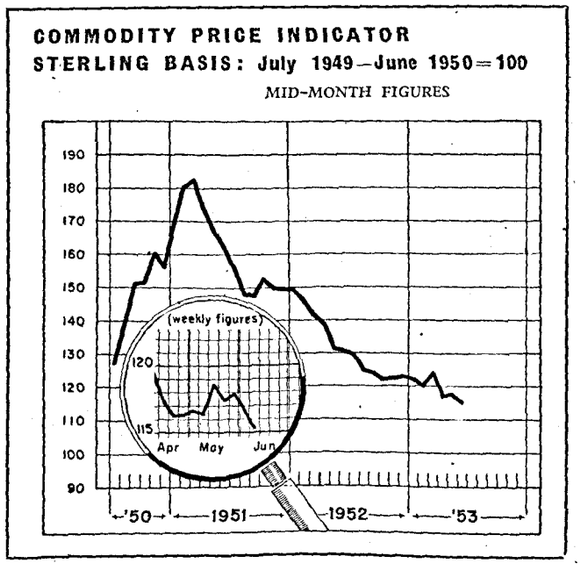
If we turn to consider the Communist bloc as a market for western products, a somewhat similar picture appears. The USSR has never been a major market, and since the war it has proved an even smaller one. In 1935-38 only 3 per cent of British exports went to Russia, in 1948-52 only 0.8 per cent. The satellites, which before the war took 2.1 per cent of Britain's exports, took only 1.34 per cent in 1949. Yet Britain is western Europe's largest exporter to the Soviet bloc. It is true that the bloc also buys wool, rubber, cotton and jute from the oversea sterling area, but except in the case of rubber, of which Russia bought about ten per cent of the sterling area's exports in 1952, it is not an important market for these commodities. The Soviet bloc buys virtually no consumer goods ; and although at Geneva in April the eastern delegates hinted at a less rigid policy in this matter, it was noticed that, while precise about their demand for sponges and ping-pong balls, they retreated into vagueness when offered cotton textiles. In China, prospects for western consumer goods are even less promising ; if and when the Peking government is in a position to buy such goods, it will hardly look further afield for them than Japan, where it can pay its way with coal and soya.

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There is no doubt that China, and to a lesser extent other Communist countries, urgently need quantities of capital equipment. That, however, does not oblige the West to provide them. Three difficulties arise. First, given the Communists' limited exportable surpluses, how do they propose to pay for such purchases ? The fact that they have been able to pay for the modest purchases they have hitherto made gives no assurance that they could finance a much expanded import list. Second, the equipment they seek most urgently is also needed by other countries. Is it wise to disappoint a friendly and reliable customer in order to sell to a country whose intentions are veiled in darkness ? No prudent businessman would commit himself deeply to a firm that hid its affairs from the world as rigorously as do the Communist states. Indeed, the third difficulty is that to the Communists trade has become a political weapon, to be wielded ruthlessly and without warning. Can the West afford dependence on eastern supplies or markets that, at a critical moment, could be subjected to sharp economic pressure for political ends ?

From all this it is clear that, even if there were no question of restricting east-west trade in order to limit the striking power of a potential aggressor, the visions of vast eastern markets and sources that are now dangled before the West's nose would remain just as unreal. The West has far less to gain from this trade than the East, and it has every reason to approach it with caution. It is surely time that this was made clear to the Communists. As long as they remain unyielding and uncooperative on the major issues that divide the world, the West can hardly be blamed if it declines to help them out of their economic difficulties at small gain to itself. If it did so without naming terms, it would be throwing away one of the few cards it now holds.

But if that card is to be played in such a way as to extract the maximum of reasonableness from the Communist bloc, it must be played by a single hand. For individual nations in the free world to break away and seek private deals with the bloc at this moment of *détente* would be fatal not only for their partners but also for themselves. The Communists are doing all they can to tempt free nations into such short-sighted ventures, and there is probably only one way of ensuring that they do not succeed. That is to continue to operate the international mechanism through which the free world has been restricting east-west trade in strategic goods, but to extend its present purely negative functions so that it can hold out to the Communists positive propositions of expanded trade in return for clear acts of political co-operation. In this way, and in this way only, east-west trade might now be of great service in helping to free the world from its present fears and dangers.



Tugs and Towage

WHENEVER a big liner is plucked out from the dockside by a tug, manœuvred past the dock gate against wind and current and guided, helpless, through a crowded anchorage to the open sea, the tugmaster, casting off the towrope, may well feel contempt for the job of the skipper on the bridge high above him who has little to do but set a straight course for the next harbour. For the majority of tug masters have never gone to sea, any more than their fathers or grandfathers who were " tuggies " before them ; have never, in fact, save for the exigencies of war, served in any but their home port. Towing is a highly specialised skill, learnt from boyhood on the deck of a tug and nowhere else. It depends on knowing a particular port blindfold, and on having a long experience in manipulating at the end of a rope a ship of up to a hundred times the tug's own tonnage. As ships have grown bigger their elbowroom in docks and crowded waterways has grown less, while they are almost impossible to steer at low speeds.

Wherever there are docks there are tugs. They number about three hundred in the United Kingdom. Although tugs have increased in power over the years, their size is strictly limited. Seldom over a hundred feet in length, their horsepower is anything up to 1,200, which means that their hull-space holds mostly engine.

Besides the familiar tugs that help vessels to their berths in harbour, there are two other kinds of tug: little craft tugs for handling lighters, and big coastal or ocean-going tugs for long-distance work. London is pre-eminently a lighterage port ; that is, ships unload some 80 to 90 per cent of their cargoes, not on to quays, but directly into barges for distribution by water up and down the river. There are upwards of 7,000 lighters, or " dumb barges," on the Thames, and the 300 Thames craft tugs, which tow up to six of them at a time, are built especially small to turn closely in congested docks, to work at tidal wharves and to pass bridges at high tide. These tough little ships shoot round bends and through arches on a three-knot tide, swinging behind them craft with no independent control, strung out to three times their own length. They may work from Brentford to Tilbury, picking up and dropping dozens of lighters in the course of a single trip, shouldering their way among moored craft to single out the ones they want. Some of them are confined to specialist work ; but many of them are " seekers " hailed at the dock gates for casual work, and doing a little ship towage for smaller vessels on the side.

Ocean-going tugs are much rarer. Before the war the Dutch monopolised long-distance towage, which they had developed as a means of transporting their floating docks and dredgers to the Far East. France, and later England, were only preparing to challenge the Dutch position when war broke out. Today the United Kingdom has thirteen ocean-going tugs capable of working in any part of the world, and they have shared with the French and Dutch vessels a postwar boom in long-distance salvaging for breaking-up, and in towing dock units and dredgers to newly developing areas. Obtaining this kind of work depends not only on tendering competitive prices, but on establishing with underwriters such a reputation for success in these risky undertakings as will keep insurance premiums down.

Tug owning is a self-contained and rather conservative little industry of its own. Most of the forty-odd ship tug firms are family businesses with local roots in their own ports; only one firm has extended its operations to cover two rivers, and very few have financial interests outside towage. Half a dozen of the leading firms have fleets of twenty-odd vessels, and the rest are owned by small concerns in threes and fours. Outside the commercial field there are two large corporations owning tugs, neither important competitively, the Port of London Authority and the Docks and Inland Waterways Executive. The latter acquired a number of tugs from the railways, but these are not operated as one fleet ; they are not numerous, and compete locally for business, usually at local prices. An attempt to establish a monopoly for the Executive's tugs at Immingham was successfully challenged last year, but such strident competitiveness is decidedly rare. Elsewhere, agreed scales of charges and a peaceful division of labour between rival owners suggest a state of affairs that, in any other industry, would be called monopolistic. In London, for example, all the ship-towing in the long stretch of river between London and Gravesend is shared between three firms whose charges are agreed.

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The case of the little craft tugs on the Thames is somewhat different. All but forty of them are owned as an adjunct to other businesses, mainly by lighterage firms or wharfingers. The dozen owners whose craft tugs go " seeking " for work are inevitably competitive, in the tradition of the old tug industry of pre-1914 days, when ship tugs themselves were all seekers, and ruthlessly competitive seekers, too, according to the colourful stories. Different again is the ownership of the ocean-going tugs. These thirteen vessels are divided between four owners, only one of which is a specialist ; of the others, two are ship-tug firms, and the fourth is Metal Industries Ltd., which entered the business chiefly to bring home ships for scrap.

Although the three branches of the towing industry never encroach upon each other's work—cannot in fact do so, since the small tugs lack the power and big tugs the manœuvrability—and although their organisation is so different, yet they all have one major problem in common: utilisation. Towage by its very nature is a

Parliament resumed was to be the announcement of the Government's policy on commercial television, have put Ministers into a hole. For it has become quite clear that, if they go ahead and announce the policy that it is believed they intended to announce, they will run into a great deal of opposition. Several of the most reputed names in their own party—led by Lord Waverley, Lord Halifax and Lord Brand—have been put to a manifesto deploring any commercial element in broadcasting. And Mr Attlee and Mr Morrison, who can recognise a good thing when they see it, have made it clear that there will be firm opposition from the Labour party, with a promise of reversal when they get back into power.

The discussion is being conducted in black-and-white terms to a degree that is surprising even in politics. It is the BBC *versus* vulgarity, or liberty *versus* tyranny, perfection *versus* infamy. In point of fact there are at least four ways of organising a broadcasting service, with any number of combinations and sub-divisions. The four are:—

1. A complete monopoly for the BBC.
2. Competition between two or more public service corporations, sharing the licence revenue between them.
3. Programmes provided and controlled by the BBC (or by more than one publicly appointed and publicly responsible corporation), but financed in whole or in part by permitting advertisers' announcements between items of the programme.
4. Programmes provided by advertisers or by a private company dependent for its revenue on advertisements.

The argument is being conducted as if Nos. 1 and 4 were the only conceivable alternatives. But an impartial observer might well conclude that both these extremes were objectionable, the monopoly of the one being no less dangerous than the commercialism of the other. Ideally, No. 2 might well be the best, but those who appreciate the very heavy costs of television would hesitate to exclude No. 3, which might in practice be quite acceptable, no less so than a newspaper which is conducted as a public trust but is prepared to print advertisements alongside the articles the editor provides for his readers.

Hitherto almost nobody in this country has been willing to give any serious consideration to any of these more moderate solutions. Now that the Government has lightheartedly got itself into a real difficulty, committed to doing something but forewarned of the storm it will arouse if it plumps for full "sponsoring," it would be very well advised to explore the possibilities between the two extremes.

The Three "Guilty Men"

LABOUR'S left wing has maintained its attack on the three trade unionists who have agreed to serve on the new Steel Board. The alliance between *Tribune* and the *Daily Worker* in the campaign of abuse has been backed up by resolutions passed by the Scottish miners, the South Wales miners and some other unions calling for the removal of the three officials from the General Council of the TUC. Mr Owen's union, the blast furnacemen, has been equivocal. Its executive committee could not condemn his willingness to serve on the Steel Board because last December it had decided that the union should take part in such a board if invited to do so and provided that no conflict with the TUC would thereby be involved. But it declared that Mr Owen could not combine the duties of a part-time member of the board with those of the secretaryship of the union. He was therefore asked to choose between the two posts—and he resigned the secretaryship.

It would be interesting to know whether, in putting pressure upon Mr Owen in this way, the executive committee of the union was reflecting the wishes of its rank and file, who do not appear to have been consulted before they were deprived of their secretary's services. The committee's action flatly contradicts the accepted principle that trade union office can be—in the opinion of the TUC should be—combined with part-time membership of public boards, whether for the coal industry or for hospitals, and, indeed, with any part-time activity in the public service.

Fortunately, other union leaders have not been so scared as the blast furnacemen by the attacks from the Labour left. The Iron and Steel Trades Confederation has given its full approval to Sir Lincoln Evans's acceptance of the vice-chairmanship of the board, and resents the attacks made on him. A similar protest at the campaign has been made from outside the industry by the National Union of General and Municipal Workers. The assertion that trade unionists are overwhelmingly in agreement with the campaign would be difficult to maintain. It would be truer to say that the incident merely emphasises again the cleavage in the Labour movement. Mr Morrison accepts the view that trade unionism should be represented on Government bodies—whichever the Government in power—and that, in any case, it is a matter for the unions concerned and the TUC to decide for themselves. For the Bevanites any co-operation with the present Government in the case of steel is pure treachery to the Labour party.

Naval Occasion

THE Coronation Review of the Fleet at Spithead on Monday provided a splendid spectacle and another example of the excellent organisation and lavish hospitality that can always be expected from the Navy. Some 190 ships of the Royal Navy were assembled, consisting of most of the Home Fleet and a large part of the Mediterranean Fleet. These represented about half the total number of ships in the Fleet—many being on duty in stations from which no ships could be recalled, such as the Far East, the East Indies and the South Atlantic. With the representatives of the Commonwealth navies, Spithead could show about a third of the combined Commonwealth fleets. But behind the ships in commission are a vast number laid up in reserve, in varying degrees of readiness. When these are included the British Navy is outnumbered only by the United States Navy, although the Russian Navy keeps a larger number of ships ready manned. Allied superiority at sea is overwhelming.

There is small reassurance nowadays, however, in mere numbers of ships. Progress in the fields of equipment and new methods of propulsion have lately been so rapid that ships are quickly obsolete. Most of the ships in the review date from the war years, although much of their equipment is of later date. The public knows something of what is going on—of new anti-submarine weapons and powerful radar equipment, of the change in emphasis from guns to carrier-based aircraft and from battleships to lighter and smaller ships, reflecting the prime need to clear the seas of mines and submarines. It is known that much construction is in progress, including 8 new aircraft carriers, 13 frigates, 3 cruisers, 3 ships of the Daring class and 95 minesweepers—as well as the new naval aircraft. But the requirements of security are such that a great deal of what is being done must be taken on trust. Confidence is justified only if it is certain that speed in technical development is not being sacrificed to maintain—within the framework of Nato—an unnecessarily large number of obsolescent ships.

A Gesture to Turkey

IT was to be expected that Soviet diplomacy would turn on to the country that is Nato's hinge between Europe and the Middle East and controls the passage between the Mediterranean and the Black Sea. For nowhere has the bold containment policy devised by the predecessors of Mr Dulles and Mr Eden come closer to the Soviet Union than in Turkey. Since 1946, when the Russians put forward in the flush of victory their claims to Kars and Ardahan and proposed revision of the Montreux Convention controlling the use of the Straits, Turkey has gone through a diplomatic, industrial and strategic transformation. It has given up isolation for Nato membership; it has received $1,000 million of American aid for military and economic development; Nato air bases have been constructed on its soil within easy range of the Donbas, and at Izmir there is an important allied command headquarters. Moreover, it has developed with Greece and Jugoslavia close and cordial relations which may eventually produce a full military alliance. In Russian eyes Turkey is a challenging nucleus for military and political groupings both in Europe and the Middle East.

It must in all fairness be said, therefore, that serious overtures to Ankara would cost Moscow a good deal in pride. For it is no small matter for a great totalitarian power to accept restraints on its use of a vital sea passage, or to accept the presence of other Great Powers on territory adjacent to its own. Whether the overtures made this week are of a far-reaching kind is uncertain. That the Russians have abandoned claims to Kars and Ardahan is clear; that they are ready to agree to a revision of the Montreux Convention acceptable to Turkey and other powers is not clear. The text of their proposals has not been published; but it is reliably reported that they do not go beyond the suggestion that it should be possible to work out with Turkey a mutually satisfactory arrangement for the defence of the Straits. This may or may not imply abandonment of the previous demand for Soviet bases on the Dardanelles.

Turkey and its allies will find it difficult to decide what kind of international agreement on the control of the Straits they now want. In 1946 they were ready to go a long way towards meeting Soviet wishes. Since then times have changed; but here, at any rate, is one issue between the Kremlin and the West on which arguments and tempers have not been exhausted during recent years. In the list of gestures to the outside world so far made from Moscow this is one of the very few to be labelled "promising."

Last-minute Grab

THE public has become accustomed to repeated disappointments in the Korean truce talks; it was, nevertheless, generally believed that the question of the repatriation of prisoners of war had been for a long time the only obstacle to the conclusion of an armistice. It was, therefore, a shock to discover that new difficulties over the demarcation line had apparently appeared, and an even greater shock when the Chinese launched their heaviest offensive for eighteen months. The most obvious intention of this attack is to gain ground so as to improve the strategic and territorial position in favour of the Communists before the fighting stops; a less obvious, but perhaps even more compelling, motive for the "peace-loving" Chinese leadership in thus incurring heavy casualties on the eve of the truce which they apparently want, is to gain prestige by a last-minute advance which will enable the Peking government to claim that it has compelled an unwilling United Nations command to agree to a cessation of the fighting. If there is to be a truce, it is important for the Communists that it should not give the Chinese people any impression of having been forced on the invincible People's Government by military deadlock and exhaustion, but should appear to have been conceded from victorious strength owing to Peking's devotion to peace.

Communist loud-speakers at the front are reported to have been announcing that an armistice will be signed on June 25. There is so far no sign that the American government intends to break off the truce negotiations because of the Chinese offensive, though, if there were to be a serious cracking of the Allied front, it would be necessary to take a grave decision—whether to accept military defeat on the eve of the armistice or mount a counter-offensive to restore the line. One advantage, at any rate, there may be from this eleventh-hour offensive: it should teach the South Koreans better than any argument that they cannot possibly carry on the war by themselves against the power of China.

President Syngman Rhee's action in ordering, on his own responsibility, the release of all anti-Communist North Korean prisoners is yet another sign of the reckless obstinacy with which the Americans have to cope. On the face of it, the reported escape of 25,000 prisoners is a grave matter that might jeopardise the truce; in fact, however, many of these men have been prisoners only in name and would not find escape difficult.

Anxious Days in Prague

THE Communist bosses of Czechoslovakia are getting into very deep water; and they give the impression that they have little idea of how to get out of it. They have to deal with workers who "lack discipline" and indulge in constant and deliberate absenteeism, as well as with farmers who refuse to sow and plant as they are told. This must be bad enough. But it must be even worse to find that their request for "criticism from below" has been accepted at its face value, that they can no longer

count on the unquestioning support of all their own followers, and that many party members have become fainthearted and even downright insubordinate. This is not the first time that the Czech Communist leaders have made this painful discovery; but the refusal of some party members to "sell" the new currency reform to the workers, and the apparently active hostility of others, are clearly causing Messrs. Zapotocky and Siroky the gravest anxiety.

Their anxiety seems amply justified. They are caught in a cleft stick between the demands of Russian planning and the opposition of their own countrymen. Their latest measures are unlikely to be effective in keeping the workers' noses down to the grindstone; and the cost, measured in terms of political instability and increasingly vocal discontent, is certain to be formidable. But this resort to desperate remedies is by no means surprising; industrial production, especially in the heavy industries, is continually falling behind the plan, while the Russians—it has been admitted—are deliberately withholding supplies because Czech deliveries of finished products are falling behind schedule.

Yet if Moscow wishes to avoid serious trouble in Czechoslovakia, it will surely have to intervene in a more constructive way: by lowering its demands on Czech industry, by supplying the Czechs with consumer goods and foodstuffs on credit, and by allowing them, like the East Germans, to abandon temporarily the headlong race towards socialism. In a fully fledged "people's democracy," however, it is not so easy to put the clock back; and it might prove difficult to prevent a dangerous chain reaction from spreading throughout the Soviet empire. In any case, the Russians might not be willing either to forgo the industrial tribute from their most advanced satellite or to supply it with consumer goods just when they have promised to make things easier and pleasanter for their own people. In that case, it is not wishful thinking to suggest that the situation may become gradually more explosive.

Nigerian Leaders Reply

THE leaders of the two main southern Nigerian parties, Dr Azikiwe, president of the National Council of Nigeria and the Cameroons, and Mr Awolowo, leader of the Action Group in the Western region, have now replied—in identical letters—to Mr Lyttelton's invitation to a conference to discuss the crisis. His first announcement that there would be a conference was not adroitly phrased, and it looked as if the Nigerian response would be a factious refusal. Evidently wiser counsels have prevailed, but the sending of identical letters to the Governor, and the conditions upon which they insist, are not auspicious for the success of the talks.

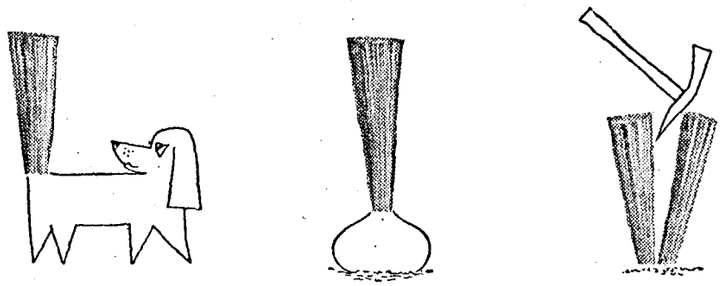
The Secretary of State will find it difficult to overlook the unpleasant threat of direct action to achieve independence, even though force is not mentioned and the threat is wrapped up in promises of co-operation and friendship with Britain after Dominion status has been achieved. The achievement of Dominion status, indeed, is in effect to be the subject of any conference which the southern Nigerian leaders express themselves as ready to attend. They state that they will attend only if the purpose of the discussions is to put right the defects in the present constitution, and that this constitution is the last under colonial conditions which they are prepared to work. Should it break down, and in any case by 1956, power must be transferred to them unconditionally.

This is, of course, a political move designed to exclude from discussion any looser form of confederation such as the northern province demands as the price of its remaining in a Nigerian union at all; and in effect it means that Dr Azikiwe and Mr Awolowo are united in their determination to ignore the claims of the Northern Peoples' Congress to represent the north. They are staking out their claim to control the north through the masses, who, they assume, are ready to follow their line. In these circumstances, it will still be worth while to hold a conference, but it will require a great deal of careful handling; for the prospects of agreement between the Nigerians themselves seem remote, and the conditions set forth in the southern leaders' letters would imply that, in the event of failure, the British must withdraw from Nigeria and allow the Nigerians to sort matters out whatever the state of government at that time. Such an unrealistic attitude may perhaps be modified in the course of talks between all the parties represented.

Progress Report on Kenya

ALTHOUGH Mr Lyttelton had encouraging news for the House of Commons last week of the campaign against Mau Mau, he hardly satisfied his critics. Opposition members showed themselves punctilious in their determination not to allow statements to be made which might in any way prejudice the trial of an accused person, and fought the Secretary of State's observations on the Kenya African Union word by word; and his suggestion that more and more Kikuyu were coming over to the side of law and order was received by Labour members with scepticism. In a sense it is no doubt true that the vigorous assertion of the Government's power to put down revolt does not convert African opinion to friendship towards the European, but it is unquestionably the indispensable first step to any settlement of racial and economic problems in Kenya. The staunchness and successes of the Kikuyu Home Guard, the growing flow of information, and the inexorable trial and conviction of those guilty of terrorism, are substantial victories for law and order. There is, however, as Mr Lyttelton emphasised, a long way yet to go. The extent to which the forests are infested with Mau Mau gangs and armouries has come as a shock to the authorities, and a protracted struggle with bandits probably lies ahead.

Mr Lyttelton was a little naif in insisting that because Mau Mau has murdered so many more Africans than Europeans, the struggle is not one between white and black. The prime Mau Mau objective is the expulsion of the white settlers and government, for which purpose complete power over the Kikuyu, enforceable by terror, was the necessary first step. The anti-European element in the struggle ought not to be played down, although it is true that the Mau Mau drive for power has produced solid African resistance—a resistance largely inspired by the missions. But it does



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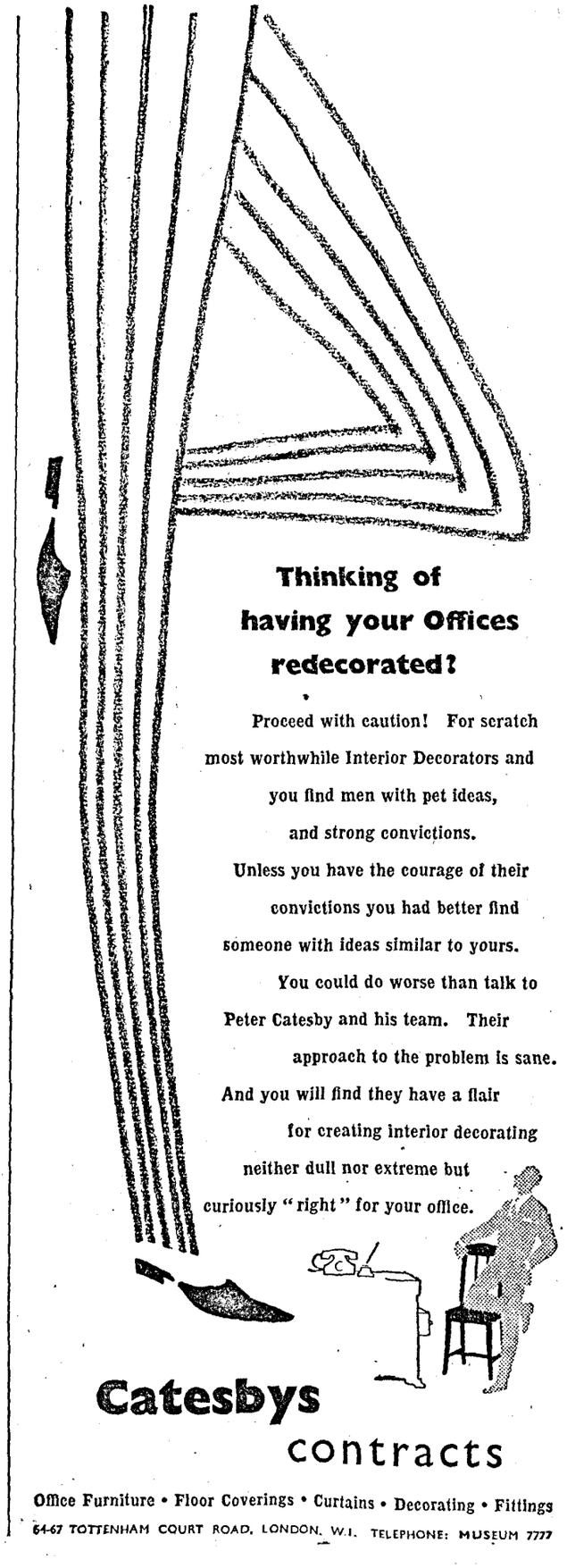
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not follow that the loyal Kikuyu are pro-settler or even uncritically pro-government. Indeed, it is from their ranks that the legitimate political pressure from African opinion in Kenya may ultimately develop. Meanwhile, there is much to be done to bring the races closer in the emergency, and it is to be hoped that Asians and Africans will before long serve on the Emergency Council. The schemes for Kenya's economic and social progress, which Mr Lyttelton promised in due course, will also be awaited with the greatest interest.

Labour and the Schools

THE Labour party executive shows a certain astuteness in giving an important place in its policy statement to its plans for educational reform. These will appeal not only to the out-and-out egalitarians, but also to many who are justifiably uneasy about the educational system as it is.

The most revolutionary proposal would end the present division of schools and pupils into three categories—grammar (for the clever), technical (for the handy) and modern (for the dull); and, as a corollary, would abolish the examination which sorts the children out into these schools—and so to a great extent determines their subsequent careers—at the age of eleven. Instead, all children would go to the same kind of secondary school from the age of eleven until the school leaving age. Those who stayed on at school after fifteen would go on to high schools, and ultimately the "best of the 'public' schools and independent day schools" would be taken over and converted into these high schools.

There is some sense in these proposals. The comprehensive school up to the age of fifteen would allow more time to select those best fitted for further education, and would give a chance to the child who develops late. The high schools would allow a better use of scarce teaching ability, for the ablest teachers could be concentrated there, leaving younger pupils to the less well qualified. Theoretically, too, it would be a good thing to bring the public schools into a unified system. But everything would depend on how these ideas were put into practice. Unfortunately the motivating force behind most Labour thinking about education seems—in spite of official protestation—to be envy. The educational ideas of the LCC, as well as the speeches of prominent socialists, give every reason for misgiving. An experiment on the lines suggested by the Labour party would be valuable; but to throw good grammar and public schools into the melting pot in a spirit of doctrinaire destruction would be madness.

Complications for President Tito

ALTHOUGH diplomatic relations between Jugoslavia and the Soviet Union have never been completely broken off, President Tito must have felt some sense of achievement in announcing that the Russians had taken the initiative in asking for an exchange of ambassadors for the first time since 1948. At the same time he made it quite clear that this gesture had not gone to his head. He pointed out that frontier incidents with the satellites were double what they had been under the Stalin regime: "While the Russians smile on us they direct their satellites against us." He might have added that at the latest meeting of the Danube Commission the Jugoslavs have had no success in their attempts to break the Soviet monopoly of the key posts on the Commission.

There is no reason to doubt that President Tito meant what he said. The quarrel with Stalin and, above all, the Communist economic blockade that followed drove Jugoslavia deep into economic and military connection with the West. To re-join the Soviet camp would be costly and difficult, as well as dangerous. But to devout and fanatical party members these things may not be so obvious. Many must be bewildered and unsettled by the sweeping administrative and economic changes now being carried out; and a good many are clearly resentful of the new and less dominant role allotted to the Communist party at the sixth party conference last year. *Borba* has spoken of the "persistence of a fractious spirit" among party members, and President Tito has complained that many have failed to orientate themselves to the new system. It is reported that the Central Committee of the Union of Communists has been meeting this week largely to discuss means of allaying the present confusion and discontent among party members. The extent of its task should not be exaggerated; but it will certainly not be reduced by Moscow's latest conciliatory gesture. Disgruntled Communists may leap to the conclusion that the Russians are ready to forgive and forget, and to ask why in Jugoslavia the clock cannot be put back to the *status quo ante* 1948. It has been assumed that President Tito's assertion that he would not be blinded by Russian smiles was designed for western consumption; but it may well have been aimed at some of his own followers as well.

Genius Takes a Back Seat

WHEN the death of Stalin brought personal dictatorship to an end his successors immediately took pains to emphasise that they were speaking and acting in a collective capacity. Since then they have always spoken in the name of the party and the state, the Central Committee or the government. The cult of Stalin has been played down in order to stress that the days of hero worship and personal rule are over. The new leaders, as if frightened that the Russian people, after over a quarter of a century of iconography and autocracy, may not believe the change to be real, drive the point home on every possible occasion. Thus, *Pravda* last week, in a lengthy article intended to guide party propagandists, devoted much space to an attack on pernicious ideas about the role of the individual in history. Marxists, it recalled, have always condemned "subjectivist emphasis" on the importance of personality. Nevertheless, remnants of such anti-Marxist views have persisted "until very recent days in propaganda work . . . in books, journals and newspapers." The history of the party, says *Pravda*, must not be written around personalities and biographies.

This will sound strange to masses of Soviet citizens who for years have been given Stalin's biography as the best

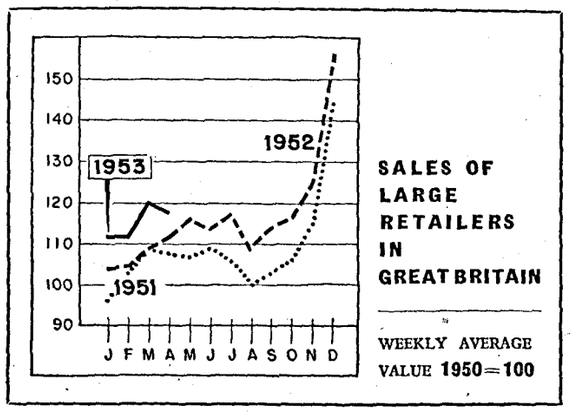
introduction to "Marxism." Yet it has been found possible to pay skilful lip service to Stalin by quoting something he said in 1930. Then, when struggling against the opposition and fearing the sympathy of the rank and file for the old Bolsheviks, he dubbed such "devotion to personalities" as "vain shibboleths of the intelligentsia." The propagandists are now told that perfect leadership does not depend on individual genius. The new rulers are presented merely as the first men of the Central Committee to which the party sends its most experienced members. Their strength is not their own, but merely represents "the party's wisdom . . . and its experience of collective leadership." This is a strong antidote to past panegyrics of "humanity's leader of genius."

Flight from Cambodia

FRENCH policy towards Indo-China has been reeling under the impact of renewed doubt and difficulty in France, the recent invasion of Laos, the protracted deadlock in Vietnam, and the King of Cambodia's complaints—made public during a visit to New York—about his lack of independence. King Norodom Sihanouk's entirely unexpected and sudden flight to Bangkok this week has been a specially rude shock, because negotiations between him and the French High Commissioner appeared to be going moderately well.

It is easy for the outsider to point to what the British did in India, but the political and human factors in the Indo-Chinese situation are terribly complex. In France a number of people maintain that the Indo-Chinese, dependent on French arms as they are, have already received the fullest independence possible. In Indo-China itself this attitude is flatly rejected by national feeling. Immense anger was caused recently, for example, when the French devalued the Indo-Chinese piastre virtually without consultation. Likewise one can reject on practical grounds the diehard attitude of those who would fight for Indo-China to the last ditch without accepting the view that France should now say to the Indo-Chinese people: We will go as soon as the war is over and, when we do, you may have complete independence. That is, in fact, what will happen—if the war is not lost meanwhile—but to say so emphatically in public at this stage is to risk undermining the morale of France's troops at the front. They are the forgotten heroes in this grim campaign, and on them rests what possibility there is of ultimate success. If Indo-China is to be given up anyhow, what, they might ask, are they fighting for?

For anti-Communist leaders like the King of Cambodia, however, the grant or promise of an independence comparable to that of India in the Commonwealth is essential if they are to hold their own against Communist pressure. Whatever the demands of the military situation this is the primary political fact. The young king's flight may prove a shrewd move not only in his tussle with the French but also in his fight against the Communists.



Egalitarian Anomalies

THE committee stage of the Finance Bill provided, last week, some clarification of the different qualities connoted by that blessed word "equity." There was, indeed, nothing fresh about Labour's indignation against the cut in the standard rate of income tax. It made somewhat more explicit the underlying assumption that a man's right to an income derives not from his having rendered that income's worth of services but from the state's assessment of his needs, deserts and reactions to incentive, which alone, therefore, should determine distribution. It is just as well that this argument should be brought into the open; but the committee stage can only underline, in this respect, the budget debate itself.

There was more profitable debate on the Opposition amendments relating to allowances for children and other dependants. It is, as Mr Douglas Jay pointed out, a curious thing that the notion of equity should have attached itself so exclusively to the distribution of incomes as such and so very imperfectly to the standards yielded by those incomes to the larger or smaller family groups which live on them. Mr Jay (declaring his interest as father of a larger-than-average family) demonstrated that, all the way through the income tax scale, fiscal concessions to the family man with three children leave him with only a quarter the net income per head enjoyed by a bachelor at the same gross income level. A philoprogenitive surtax payer may, indeed, easily be worse off than the single man with ten pounds a week. The complacency with which even enthusiasts for redistributive taxation generally regard this wide inequality between people getting the same gross income probably owes its origin partly to the lack of class significance, partly to an ingrained Malthusianism which has persisted in the teeth of all demographic evidence and expertise.

Other anomalies were debated on amendments aimed at raising earned income reliefs—a proposal supported from all parts of the House—at extending the widower's housekeeper allowance to cover non-resident housekeepers, at improving the position of single householders, at bringing paid apprentices within the scope of the child allowances, and at raising the resident daughter's allowance conceded to the old and infirm. Only this last was accepted; Mr Butler has held to the principle that the lightening of the general burden should, this year, take clear precedence over any nice adjustment to personal circumstances. It is arguable that for some time to come the same priority will hold; but the debate established the claim of at least some of these rectifications to a high place on the agenda of fiscal equity.

A Voice for Italy

SIGNOR DE GASPERI'S visit to England on Monday seems a curious mixture of the awkward and the opportune. It must be inconvenient for him to squeeze in a trip abroad at this juncture, with the future of his coalition still none too certain and with the strain of the election campaign only just behind him. But the visit does have positive political advantages, in that an invitation given some time ago to receive an honorary degree at Oxford brings the Italian Prime Minister to this country at a useful moment. It will enable him to discuss at first hand with Sir Winston Churchill the topics that will appear on the agenda of the Bermuda conference, and thus to make it clear as well as certain that Italy's voice has been heard.

Much harm has lately been done by ignoring the Italians. Resentment against the British and, to a lesser extent, the American attitude probably swung a few votes away from the government in the elections. Considering how narrow is the margin by which Signor De Gasperi's coalition scraped through, these votes could be ill afforded. Italians say, and with no little justification, that if France is to go on being treated at all big international conferences as if it were still a great power, their country at least deserves a seat. The fact that Sir Winston Churchill did not even mention Italy in his recent notable review of foreign affairs was the type of blunder that should not recur.

The established lines of Italian foreign policy, active support of the Atlantic alliance and of Western European union, have been seriously prejudiced by the electoral results. It remains to be seen whether, with one Italian in three voting Communist and with a firm government majority only possible by compromise either to the left or to the right, Signor De Gasperi can effectively maintain his previous policy. What is clear is that Italians feel their country's recovery from the war now entitles them to resume a more active role in the conduct of western affairs, and that to neglect this fact may prove dangerously unwise.

Caribbean Federation

THE details of the agreement reached by the West Indian delegates to the conference on Caribbean federation in April have now been published as a White Paper (Cmd 8837). As was indicated in advance, these diverge only slightly from the proposed federal constitution drafted by the Rance committee and published in 1950. The scheme has been adjusted to the refusal of British Guiana and British Honduras to join by a reduction in the total membership of the federal houses. For five years, moreover, members of the island legislatures can be elected to the federal legislature, unless they hold executive offices locally—a modification made to meet the (no doubt temporary) shortage of seasoned parliamentarians.

Most of the other changes show a tendency to weaken federal authority, though less than might have been expected. Thus the power of raising loans for federal and for "unit" purposes has been transferred to the concurrent list, that is, the list on which both the federal and unit governments can legislate; and instead of 25 per cent of customs revenue being allocated to federal use, a maximum of 15 per cent has been fixed, with a provision that the federal government's needs shall be re-examined by an independent commission, and that it shall get even less if the commission finds further economies consistent with its functions. Migration, on the other hand, has been put on the exclusive list, on which only the federal government can legislate. This may reflect the refusal of British Guiana to join the federation. As the potential main recipient of migrants, British Guiana would presumably have insisted on migration being a subject for unit governments if it had agreed to join.

The Governor-General's powers are not curtailed significantly, though three senators are to be chosen by the "Governor-General in-council"; these replace in the Council of State (the federal executive council) three of the six members nominated by the Governor-General. It is also to be specified in the constitution that the Council of State is to be regarded as the instrument of federal policy. If the Rance constitution, with these changes, in due course wins the acceptance of the individual island legislatures, the West Indies will at last find themselves with a workable central government which with good will, experience and a sense of responsibility on the part of federal politicians can develop into the instrument of independent statehood within the Commonwealth. This objective would, however, be reached more easily if British Guiana and British Honduras see the wisdom of joining the federation.

Dutch Talks with Mr Butler

THE sixth meeting in the current series of bilateral discussions with OEEC countries brings Mr J. W. Beyen, the Netherlands Foreign Minister, and Mr J. van de Kieft, the Finance Minister, to London for talks with Mr Butler and the Treasury. There can be little fresh news for Mr Butler to impart: progress towards convertibility has slackened; there is no evidence yet of new American economic policies, and the Commonwealth Plan has, temporarily at any rate, been put into cold storage. The meeting may, nevertheless, turn out to be quite lively. On the British side a possible bone of contention could be the Dutch system of export incentives—especially the dollar retention device—which the British and German governments have firmly condemned. The Dutch will want clarification of Britain's intentions about the future of EPU, which the Dutch, along with other European countries, regard as a valuable mechanism worth retaining. Mr Beyen will no doubt use the opportunity to press his own plan for a European tariff union. No startling developments are likely to emerge from the meeting.

The inclusion of the Foreign Minister in the Dutch team indicates that the discussions will range over a wide field. The Netherlands parliament has recently discussed ratification of the EDC treaty. Though there are misgivings in some quarters and an understandable perplexity at the French attitude, there is every chance that the treaty will be ratified before the summer recess. As it is still British policy to see the defence community formed, the Dutch will be encouraged in their resolute stand.

Books & Publications

Malthus *versus* Micawber

THE MALTHUSIAN POPULATION THEORY.
By G. F. McCleary.
Faber. 191 pages, 21s.
INTRODUCTION TO MALTHUS.
Edited by D. V. Glass.
Watts. 205 pages. 10s. 6d.

IS it, perhaps, a pity that Malthus ever wrote on population? The thesis may well appeal to others beside those who, ever since the publication of the "Essay," have furiously rejected the idea that there might be anything conditional about the injunction to increase and multiply. Hindsight reveals Malthus as wildly wrong about dates and quantities; and he drew such erroneous practical conclusions, and provided support for so repulsive a set of social attitudes, as to strengthen the hand of every Micawber who, in the very different circumstances of today, complacently relies on something "turning up."

What Malthus actually said is, of course, often very different from what he is quoted as saying. Dr McCleary's book is a fascinating analysis of these discrepancies. Malthus did not assert, in the teeth of the evidence, that population always increased in a particular geometrical ratio; he said that it would probably do so if unchecked, and added that checks had always been operative. He did not regard population increase, or a dense population as such, as an evil; he explicitly noted that an "unfavourable proportion" between population and food is "more frequently found in countries which are very thinly peopled, than in those which are populous." He did not maintain that technical progress must necessarily lead to mere multiplication at subsistence level; he held the very different view that it could produce permanently higher standards only if, having once experienced these, people exercised the prudential restraints needed to maintain them. If his final impression was gloomy, it was because his notion of restraint—excluding as it did, with tersely expressed abhorrence, the contraceptive practices so inappropriately associated with his name—was so obviously hard for normal human nature. Dr. McCleary's analysis should be an eye-opener for those who have hitherto judged Malthus at tenth-hand.

The "Introduction to Malthus" contains Malthus's own final *Précis* of his demographic views—the "Summary View of the Principle of Population," published in 1830—and his "Letter to Samuel Whitbread, Esq., MP," on the amendment of the poor laws; critical essays by Mr Alan Peacock, Dr D. V. Glass (who edits the whole) and Professor H. L. Beales; and a thirty-page bibliography. Less closely analytical than Dr McCleary's book, it gives an enlightening picture both of the historical and social background against which Malthus wrote and of the impact of his ideas at home and abroad. (What the lunatic fringe of German sociological thinkers made of the "Essay" is something remarkable.)

The commentators find Malthus less sympathetic, and his theory less satisfying, than does Dr McCleary; and indeed a close comparison of the two books is likely to lead the reader to agree with them. When a writer is as consistently misread and misunderstood as Malthus he has probably to blame not only the perversity and obtuseness of his opponents but also a certain disingenuousness and confusion in his own thought. One can hardly blame him for failing to foresee the revolutionary effect of steam transport on the world's supply of foodstuffs. The fact that something did turn up to justify the Micawbers of his day is no warrant that history will obligingly repeat itself for the benefit of successive Micawbers in every generation. Nor can one condemn him for not having evolved, far in advance of his time, the concept of an optimum population. The fact remains, however, that his "theory"—as distinct from the general rational approach which was his prime contribution to contemporary thought—was conceptually lopsided and inductively insecure; one of those half-truths which can bar the way to enlightenment more effectively than much plain error. The two books under review, despite differences of emphasis and assessment, are alike in the objective of rescuing Malthus's name from its ironical role as a weapon in the arsenal of obscurantism.

The Pen and the Bayonet

THE CHRONICLE OF PRIVATE HENRY METCALFE.
Edited by Lieut-General Sir Francis Tuker.
Cassell. 117 pages. 10s. 6d.

THE Sepoy Mutiny was the ugliest of all the ugly campaigns that the British Army fought in India. Its ferocity was matched by its brutality. Perhaps the best illustration of this is a drawing by an officer showing an officer and a sepoy below the Lucknow Residency wall, to the sound of a spade, each trying to shoot the Sepoy sapper who is wielding a pickaxe and has pierced the wall of the counter sap. It was not one of the jobs of Private Henry Metcalfe, weary after a long guard, to dig these tunnels. His was the commoner task of burying the swollen carcases of horses.

Private Metcalfe joined the 32nd Foot (then a normal regiment of the line but turned into a light infantry regiment for its services in the Mutiny and now known as the 1st Batallion of the Duke of Cornwall's Light Infantry) when he was thirteen years old. He served nine years later throughout the Siege of Lucknow; then after his retirement he set down his artless account of the siege and the mopping up campaigns in which he had served. History in his narrative, as in that of Private Wheeler, is fragmented. A siege becomes the bullet that killed Chatter-Box Tomlinson; a battle a bayonet scuffle in Johannes Bungalow. But through his undiscriminating eyes the shaded oblongs on the military historian's maps come alive. They become peopled with men like Metcalfe, turning out "sick, lame and lazy" to repel an assault, sharing a puny ration with a dog with the absurd name of Bustle, or finding fun in a pair of boots that were too tight. The private soldier does not change from army to army, or from age to age. Metcalfe, for instance, races with two others to capture a gun, scratches an unanswered claim for a Victoria Cross in the dust where the gun had stood, and then, with an eye for plunder, carries off two chickens, which he then gives away.

This casual sidelight on the Mutiny would have been left unnoticed in a regimental museum had it not been for the persistent enquiries of Sir Francis Tuker, who accidentally came across part of the chronicle. One wonders how many more forgotten manuscripts of this sort are waiting for someone with the interest and patience of Sir Francis to ferret them out.

Active Octogenarian

MY POLITICAL LIFE. *Volume I. England before the Storm,* 1896-1914.
By L. S. Amery.
Hutchinson. 492 pages. 25s.

MR AMERY, who is eighty this year, has led an active life, and though he plans to write his autobiography in three large volumes, to judge by the present volume the reader will not find it too long. After Harrow (where masters long afterwards spoke of him as the ablest boy they had ever taught) and Oxford, he began to prepare himself for the career of a diplomatist by going to the Balkans, learning all the languages, and making acquaintance, in palaces or pubs, with everyone that mattered. Hearing that, on the strength of this, the Foreign Office would very likely send him to South America he thought he might do better in journalism, joined the staff of *The Times,* went to South Africa as chief war correspondent and found himself charged with writing *The Times* History of the War. Designed by Moberley Bell as a journalistic best seller it developed into six volumes, lost money (for author as well as publisher) and made history. His devastating exposure of Buller and his like supplied ammunition for the army reform movement. Mr Amery considers that Arnold-Forster's scheme (in essentials Amery's), which foundered with Balfour's government, was better than that afterwards adopted by Haldane.

Although he has never been as conspicuous in the public eye as his sheer ability would warrant, Mr Amery had a knack of being in at the beginnings of things behind the scenes. Asked to join Milner's kindergarten he refused, but appears to have picked most of its members. He suggested to his friend Fred Oliver that he should write about Alexander Hamilton, and the result was the famous book which inspired Lionel Curtis to propose the federation of the British Empire and Clarence Streit to propose the federation of the free world.

The book is rich in pen portraits: Roberts, whom he admired and loved; Kitchener, so unlike the popular idea of him; Milner and Chamberlain, his political heroes, and all the other politicians; also men such as Mackinder who were greatly superior to many who passed them on the road to fame. After five attempts Mr Amery reached the House of Commons in 1911 where the Home Rule crisis gave [illegible] his natural pugnacity. [illegible] lower opinion of poor Asquith, and Mr Churchill gets some hard knocks in these pages.

But the parliamentary story of 1911-14 has been told a great many times before. The most interesting and valuable part of the book is that dealing with its author's multifarious activities behind the scenes in the first ten years of the century. There is much close argument and plenty of fun. We hear of the author enlivening a by-election by punching the head of an insulting opponent, and encouraging Mr and Mrs Sidney Webb to roll down the slope of Hampstead Heath. It is altogether a readable and valuable book.

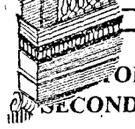
Personal View

DIPLOMATIC TWILIGHT: 1930-1940.
By Sir Walford Selby.
John Murray. 210 pages. 16s.

THIS book is an attack on a system, and an attack is always refreshing to read. Sir Walford Selby goes so far as to assert that it was the faulty organisation of the Foreign Office to which he will "continue to attribute the greatest share of the responsibility for the disaster of 1939." Hitler's war, he says, was largely the fault of British indecision, and that indecision was due to two things. The Foreign Office had lost its proper power in Whitehall owing to the misguided interventions of Sir Warren Fisher, as head of the civil service. And under Lord Vansittart the Foreign Office itself was so mismanaged that reports from heads of missions abroad were filed away without ever receiving proper attention.

Sir Walford gives chapter and verse to support his contentions from his experience as Minister in the "key" post of Vienna; he was later "promoted," he feels, to the less important ambassadorship of Lisbon to get him out of the way. While also attacking certain other appointments—"I had had opportunity of ascertaining Sir Nevile's [Henderson] disastrous views about Germany when he had been our Minister in Belgrade"—the author bestows unexpected and welcome praise on Austen Chamberlain, Arthur Henderson and Ramsay MacDonald.

This is a book which will interest anyone seriously concerned with the conduct as well as the aims of foreign policy. Captain Norman Warren Fisher has already sprung to his father's defence in the press and Lord Vansittart was never one to suffer in silence. The pity is that, in dealing with such an important subject, the author has allowed so much personal feeling to filter into his pages, and he is not always so clear as he might be because he assumes too much on the part of the reader. But as one man's account of what happened before the war and why, Sir Walford's standing will ensure a place for his book in the archives from which history is written.



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Letters to the Editor

Malenkov's Hundred Days

SIR—The Prime Minister is right to hope for "a profound movement of Russian feeling" and you are right to ask for patience and caution in our policy towards the USSR. But the West in its own camp should not merely sit cautiously wondering just how ogre-like the new Kremlin committee is. Now that Stalin's death has made the world more malleable (that much we may at any rate suppose), we must make up our minds about a new map of Europe whereon the Iron Curtain hangs a good deal further east. The British at least cannot reconcile themselves to a Poland and Czechoslovakia ruled by the Kremlin. The problem is to invent a system whereby central Europe remains militarily allied to the Soviet Union but recovers its traditional relationship to the West. The trouble will be that the weaker the Kremlin's grip on the Russian population, the harder its empire's shell will tend to be. Thus a temporary decrease in internal brutality, deemed expedient in Russia, is most unlikely to lead of itself to freedom in Poland or Czechoslovakia. Our business is to negotiate that freedom. So long as we wonder, vaguely and globally, whether the Soviet government has accepted "coexistence in our time" we shall promote slavery in our time in Berlin, Warsaw and Prague.

The British public and Press even more than the experts must, therefore, examine the whole European question. We should, for instance, try to decide whether the two main Soviet objectives in Europe, recognition of the Oder-Neisse frontier and withdrawal of occupation forces from Germany, are not acceptable in return for genuine changes in the regimes of central Europe. The Kremlin will accept our terms, if accept it does, not because Malenkov and his colleagues are "men more humane and enlightened than Stalin could ever be" (a suggestion rich in unconscious humour) but because it believes that all Germany is within its grasp. Risk is inevitable. But the way to defeat Soviet expansion is not to abandon territory that the West has already lost but to try to regain it. Surely the West can best further "a profound movement of Russian feeling" by actually meeting the Soviet Union in a common sphere of interest. Central Europe is the natural place of meeting, where Russian interests might eventually be regarded as mainly military and western ones as mainly commercial. Need the Soviet Union for ever reject the idea of a Balkan Federation which Dimitrov launched soon after the war? We cannot plan the remote future; but we can help to shape events by thinking far harder about Europe's lost people now.—Yours faithfully,

CHARLES JANSON

Sutherland

Television Space for Sale?

SIR—May I raise a matter not touched on in your summary of prospects of television. Should not this form of entertainment be called on to pay its share of entertainments tax?

It is a well established principle that when a tax is imposed purely to raise revenue then similar and competing things should be equitably taxed. Thus both matches and automatic lighters are taxed and when one tax is increased the tax on the other goes up proportionately. Television, as an art and an entertainment, competes with the cinemas and it is of similar form. The cinema industry pays nearly £40 million a year in entertainment duty. It would hardly seem equitable to leave the cinema bearing alone this burden of taxation.

There are some four million cinema seats in Great Britain—and each seat pays nearly ten pounds a year in tax. Counting each television set as say four potential seats, there are already probably ten million television seats in competition with the cinema. Assuming that the Chancellor does not seek to increase his cut from these visual entertainments, there is a case for television viewers bearing at least half of the tax burden—to the extent of say £20 million or £30 million a year—to the relief of the long-suffering cinemagoer. — Yours faithfully,

London, S.W.1. RALPH COX

[Possibly. But viewers already pay purchase tax.—EDITOR.]

The Unsafe Home

SIR—In your note of June 13th dealing with accidents in the home, you state that "as with road accidents, the main remedies must be propaganda and education." The value of education, together with law enforcement, is not disputed. But engineering, in the form of improving existing roads and building new ones, can make an invaluable contribution to road safety.

Whilst, in the last analysis, almost every accident is caused by human error the surest way to avoid its tragic effect on the roads is to remove the hazards which allow such errors to be made. The great advantage of engineering is that its effects are permanent.—Yours faithfully,

M. FRANCIS

London, W.C.1

Proscribing a Party

SIR—You state in your issue of June 13th that "The Mau Mau insurrection was possible only because of the culpable ignorance of settlers and officials alike about developments in Kikuyuland."

This charge of incompetence levelled at members of the Colonial Service shows a lack of appreciation of the problems which beset them. It would help to correct some of the illusions about conditions in Africa which are so common in this country if it were realised to what degree the colonial administrations are skeleton services. In East Africa an average District Commissioner may be responsible for all aspects of the administration of a district having a population of about 250,000 people of three or four races, spread over several thousand square miles of territory ill-served with communications. To assist him, he may have one or two District Officers, but, unlike the Higher Civil Service in this country, he is not buttressed by several grades of competent subordinates. He is fortunate if his three or four African junior staff can cope with the filing, typing and despatch of letters, and doubly fortunate if he has a trustworthy Asian cashier to whom he may delegate some accountancy routine. Unlike the Higher Civil Servants to captur[e] this country, his office door is covered [with] day to the public of all [sorts] dust where the works in an atmosphere [of] with an eye petty interruption. [Two] chickens, w[ife] European staff of other [officers] adds to his work, for their [assistants] be co-ordinated though [not] unnoticed i directly controlled by him. [has] not been

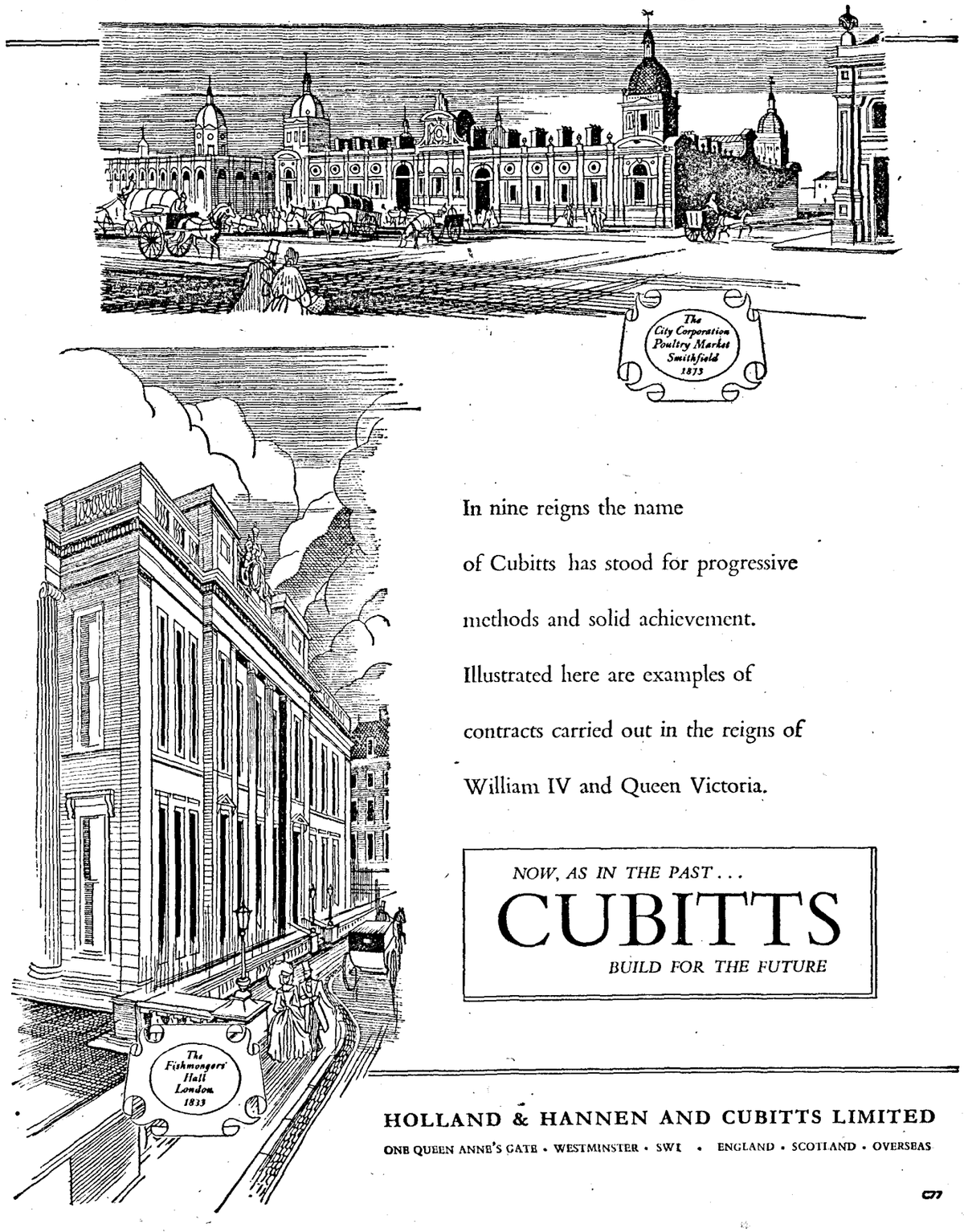
"Culpable ignorance" is [a] language to use of such people. If more thought and money were devoted to strengthening the administrative services so that full use could be made of their knowledge of political problems, and of the unique confidence with which they are regarded by Africans, such developments as Mau Mau could be forestalled. If financial resources dictate that such strengthening be made at the sacrifice of expenditure on the Welfare State type of service, let that be accepted. It is cheaper than bearing the cost of maintaining armed services to cope with a breakdown. And a strengthened administration would give scope to the educated African who, not being attracted by the prospects of a typing and filing clerk, devotes himself to subversive political activity.—Yours faithfully,

M. M. P.

London, N.12

[No charge of general incompetence was levelled at the DCs, who are certainly thin on the ground, but—outside the missions—knowledge of the Kikuyu language remains rare and direct contact with the people restricted. The scale of Mau Mau organisation, built up over years, came as a complete surprise to the authorities, though they had been warned to investigate matters by the undermanned police force. The starvation of administrative and welfare services may be laid in part at the door of organised settler opinion.—EDITOR.]

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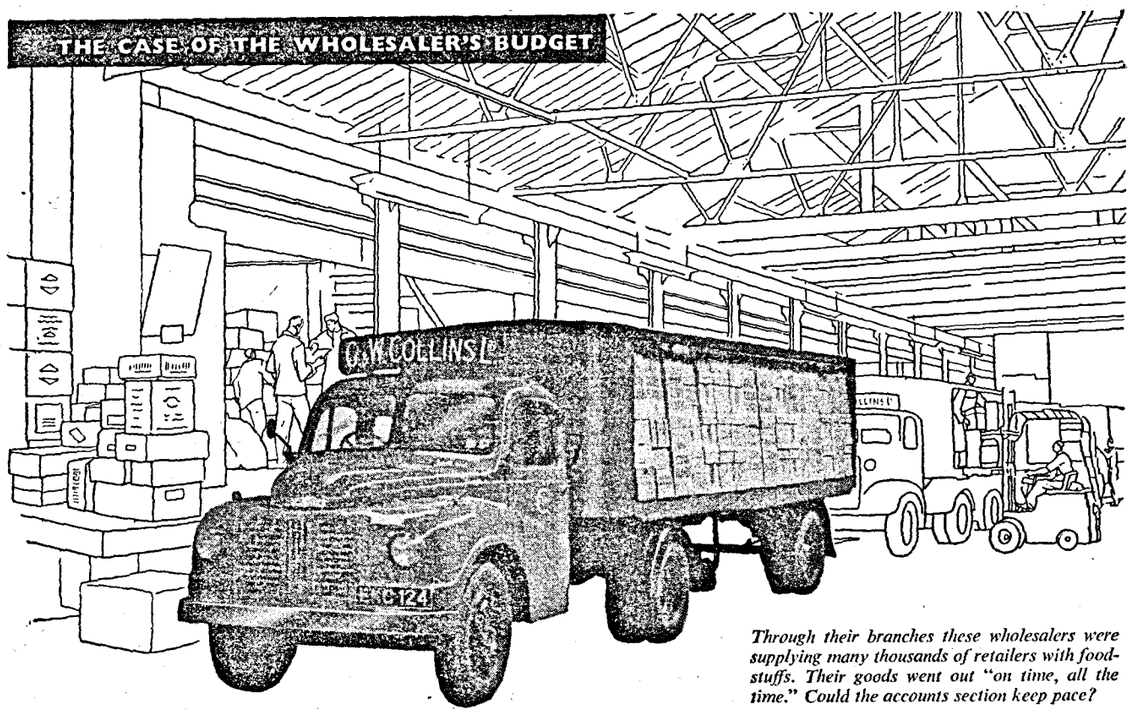
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American Survey

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

Atom of Discord

Washington, D.C.

WITHIN the space of a few weeks four separate developments concerning atomic energy and atomic weapons have forced themselves upon public attention, suggesting that a fundamental recasting of American atomic policy may become necessary. Two were concerned with the warlike and two with the peaceful application of atomic energy. On the warlike side, the Kelly Committee, set up under the last Administration to study certain aspects of the problem of "defence of the North American continent against atomic attack," presented its report with a grave warning about the inadequacies of American air defences. Within the same week a military official of the Atomic Energy Commission calmly informed a House Appropriations subcommittee that the AEC needed $30 million to build new storage sites, as there would soon not be enough room to store the output of atomic bombs.

On the peaceful side, the thorny and complicated problem of whether private industry can now be allowed to participate in the production of nuclear power for industrial purposes is more intensively discussed before the Joint Congressional Committee on Atomic Energy with each passing week. Finally, Mr Gordon Dean, the outgoing chairman of the Atomic Energy Commission, announced at the beginning of June that fissionable material can now be "bred." In a "breeder reactor" it can be made to produce—to use an Irish sort of definition—more of itself than it consumes of itself, supplementing, instead of diminishing, the world's limited stocks of uranium.

All these developments are related. For some time past it has been clear that the Atomic Energy Commission has been fulfilling with growing ease its task of providing the United States with a stockpile of atomic weapons and bombs. Mr Dean has spoken of the coming year as one of increasingly rapid physical production and has admitted that the Savannah River plant, built to make hydrogen bombs, is already operating in part. The scale of this year's "spring meeting" at the proving grounds in Nevada shows that there is no shortage of bombs for experimental purposes. Although the Kelly Committee's report emphasised the increased importance of an American atomic striking force as a deterrent to the Soviet Union, it seems that the AEC no longer has any real problem in meeting the demands of the services for atomic weapons.

Consequently for the past few months the AEC has had less and less reason to resist the growing pressure both from Congress and from industry for a reconsideration of the Atomic Energy Act of 1946. They wish to permit some form of participation by private business in the building of atomic plants to produce electrical power. This pressure has been formidable and has come not only from the Joint Congressional Committee on Atomic Energy but from industrial sources outside Congress. Among other suggestions is that of the Monsanto Chemical Company, which has advocated government construction of an atomic power plant with private industry having a share in the design and operation; this would act as a guide to the construction of further commercial plants. The Dow Chemical Company and the Detroit Edison Company have offered a joint suggestion: that while further study and research on atomic power plants should continue to be partly financed by the government, the two companies should put up an operating plant out of their own resources. And two groups in Nevada and New England, where ordinary electric power is expensive, have suggested that the AEC build them reactors.

The powerful voice of Mr David Lilienthal, who in his TVA days used frequently to be accused in Congress of being a socialist, has demanded a complete rethinking of American policy to enable the production of atomic energy to become a commercial venture. His argument is that although some big private firms such as the General Electric Company and the Westinghouse Corporation are associated with the AEC in the construction and running of reactor units, the present system of cost-plus financing removes all incentive to lower costs. What is needed, in his opinion, is the healthy spur of competition and cost accounting to enable atomic energy to enter into its rightful inheritance as a major source of civilian fuel and power. The Administration may also reasonably hope that private work on atomic reactors will contribute to the projects for an atom-powered aircraft and aircraft carrier, which have been postponed for reasons of economy.

★

The Atomic Energy Commission has submitted to the committee the revisions in the 1946 Act which it considers would enable private industry to make a start in planning for atomic power plants, and it is probable that these will be argued about for the next few weeks. They include the enactment of legislation to enable groups other than the AEC to own, rent, buy and sell fissionable material, a liberalisation of patent rights, a freer flow of information and new safety codes. It is appreciated that these are only interim amendments, but a more fundamental revision of the government's monopoly of all fissionable material, which was granted to it by the 1946 Act, must wait until next year. So must any formal recognition of the present unofficial

arrangements whereby a certain amount of information on atomic subjects can now be exchanged with Britain and the other North Atlantic Treaty partners.

The willingness of the AEC to foster the commercial use of atomic energy for electrical power does meet with several forms of resistance. One is from the trade unions concerned with production of conventional fuels, such as the mineworkers and the United Gas, Coke and Chemical Workers. Another is from those who consider it wrong that private industry should fall heir to a development in which the people of the United States have invested $8 billion since the war. Even by those who deny the force of this argument, it is admitted that the question of patent rights, by which a private firm can protect a new discovery or process without at the same time patenting for itself a whole chain of processes of which it is merely the beneficiary, is one of the thorniest the lawyers have ever had to face. Another doubt is whether competitive industry could or would take the elaborate safety precautions which the AEC has enforced for its own workers.

But there is also an economic objection which explains why private industry as a whole has not rushed forward to embrace the possibility of atomic power for electricity except under a heavy government guarantee or subsidy. The United States has more alternative resources of fuel than almost any other country, and, in particular, many ways of producing electricity. It is believed that in the next five or ten years the cheapest atom-produced electricity will match only the most expensive electricity produced by conventional means; therefore any firm contemplating building a reactor plant for this purpose must expect to offset its losses on sales of electricity by selling plutonium—the by-product of the reactor process—to the AEC for warlike purposes. But if the AEC has now discovered the means of "breeding" plutonium while at the same time it is beginning to taper off production for the military stockpile of bombs, will it remain a constant and faithful customer?

It is this line of reasoning which has prompted some whose business it is to look many years ahead to suggest that it is not in the United States, but in the underdeveloped or desert countries where there is no water or other means of producing electricity available, that the great fields for American enterprise in the use of atomic fuel may lie.

American Notes

Reprieve for the Rosenbergs?

THE day before that set for their execution for betraying atomic secrets, when every hope of clemency or further stay seemed exhausted, Julius and Ethel Rosenberg won a respite, though it may prove an illusory one, from Justice Douglas of the Supreme Court. The resources of American legal procedure traditionally permit delays that would be impossible in this country; it is now three years since the Rosenbergs were indicted. This eleventh hour reprieve was made possible because, when the court is not sitting, a single Justice is empowered to grant a stay of execution if he finds that there are new considerations in a case. What moved Justice Douglas to act was the contention, submitted by lawyers new to the arguments, that the provisions of the Atomic Energy Act of 1946, rather than those of the Espionage Act of 1917, should have been applied. The later Act permits the death sentence only on the recommendation of the jury, and only in cases where the intent was to injure the United States. Mr Douglas concluded that the validity of this new argument should be tested because, although the crime the Rosenbergs are alleged to have committed took place in 1944 and 1945, they were not indicted until 1951.

Justice Douglas's position is that

> it is important that the country be protected. . . It is also important that before we allow human lives to be snuffed out, we be sure, emphatically sure, that we act within the law. If we are not sure, there will be lingering doubts to plague the conscience after the event.

Justice Douglas took a highly contentious, as well as courageous, step in granting a respite which the Supreme Court as a whole had refused four times, the latest two days before, and there is no certainty that he will not be over-ruled at once by the court, which was recalled at the request of the Attorney-General. Wild demands for the impeachment of Mr Douglas are already being heard in Congress. What seems certain after Mr Douglas's intervention is that, if the execution is not postponed, there will be the "lingering doubts" of which he spoke.

Presidential Leadership

IN his first long trip outside Washington since his inauguration the President has discovered that there has been no falling off in the affection in which he is held, and, perhaps, a new resolve to mobilise some of this good will. It is still his view that there should be no "destructive cross-fire" between the Executive and Congress. Yet he chose to preach collective security in the Middle West, the region where the Taftite thesis that America is strong enough to do without allies and without the United Nations is most deeply rooted. And on his return through New Hampshire, he delivered at Dartmouth College a wholehearted denunciation of book-burning and appealed to the students to try to discover for themselves why Communism held such attractions for so many peoples. This had every appearance of a long overdue challenge to Senator McCarthy, although apparently this was not intended; but caught in the crossfire was Mr Dulles, the President's own Secretary of State. Mr Dulles has allowed the State Department to appease the Senator by ordering the removal from its foreign information libraries of books not only by Communists and fellow-travellers, but even those by reputable authors, whose sin consists of criticising the Chinese Nationalists.

Such attempts by the President to lead and shape public opinion by going over the heads of Congress, as Mr Roosevelt used to do, are certain to become increasingly necessary. Impressed by the demand for peace in Korea, the Republicans in Congress have swallowed the prospect of a truce which many of them privately dislike. But this has been only a foretaste of the disagreeable draughts which may be served up at the peace conference; and with the illness of Senator Taft the unruly Republican flock in the Senate may easily get out of hand.

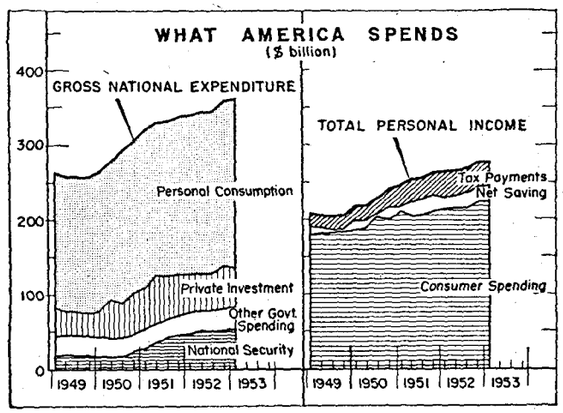
Senator Taft was capable, as he showed only a short time ago, of completely misunderstanding both the realities and the President's foreign policy. But much more often he has been the President's right hand. As far as he is able, he will continue to attend the weekly conferences at the White House between the President and Congressional leaders, and the meetings of the Republican Policy Committee. But the day-to-day floor leadership will be exercised by Senator Knowland. Once as strong a supporter of President Rhee as of General Chiang Kai-shek, responsibility is already altering Mr Knowland. But even the greatest loyalty to President Eisenhower cannot make him overnight the equal, in prestige and experience, of Senator Taft. The signs that the President is beginning to find his own political feet have come none too soon.

Peaceful Economy

THE Korean truce is coming just at the time when, according to last January's forecasts, the American economy was in any case expected to be moving towards a decline. Yet businessmen in general are refusing to succumb to the jitters of the security and commodity markets and are facing the prospect of peace with optimistic equanimity. Partly this is because they have discounted in advance the effects of the much-discussed armistice; partly it is because they have been warned about the wolf of recession so often that they no longer believe that it is a genuine threat; but mainly it seems that many of them have convinced themselves that recession nowadays would be no more than a sheep in wolf's clothing. Certainly the economy has appeared most amenable during the past six months, following a peaceful course with almost all the indices holding steady at very high levels, and with only the rise in consumer credit and the fall in farm incomes to cause concern. And, as government spokesmen have been emphasising, there is little reason to suppose that a truce, or even a real peace, in Korea would of itself bring any marked change in this situation, unless it set off a psychological reaction of which there is so far no indication.

Any government spending, on ammunition and uniforms, for example, that can be saved if hostilities end in Korea will probably be offset by increased expenditure on relief and reconstruction there. And in spite of the Eisenhower Administration's attempts to economise on armaments, the immediate outlook is for an increase, rather than a decline, in spending on national security, since deliveries of military supplies are to be speeded up. Spending on another important component of the present prosperity—private investment—is also expected to rise for the remainder of the year. Nothing could better demonstrate the growing optimism of businessmen than the recent report of the Department of Commerce that outlays for new plant and equipment are to be higher than last year, instead of lower, as was earlier forecast, during the coming months.

Less reassuring is the contraseasonal fall in new housing starts in May, and also the contention of credit agencies and used car dealers that the automobile industry is overproducing. Makers of some other consumers' durable goods, notably television sets, have been curtailing production for several months and the size of inventories is beginning to cause some concern. There are also those who believe that capacity output in the steel industry will cease now that the price of steel has gone up. Whether all these factors combined would be enough to bring about any serious drop in employment is doubtful, but some decline in overtime earnings is probable before long. The resultant fall in earned incomes might, perhaps, affect



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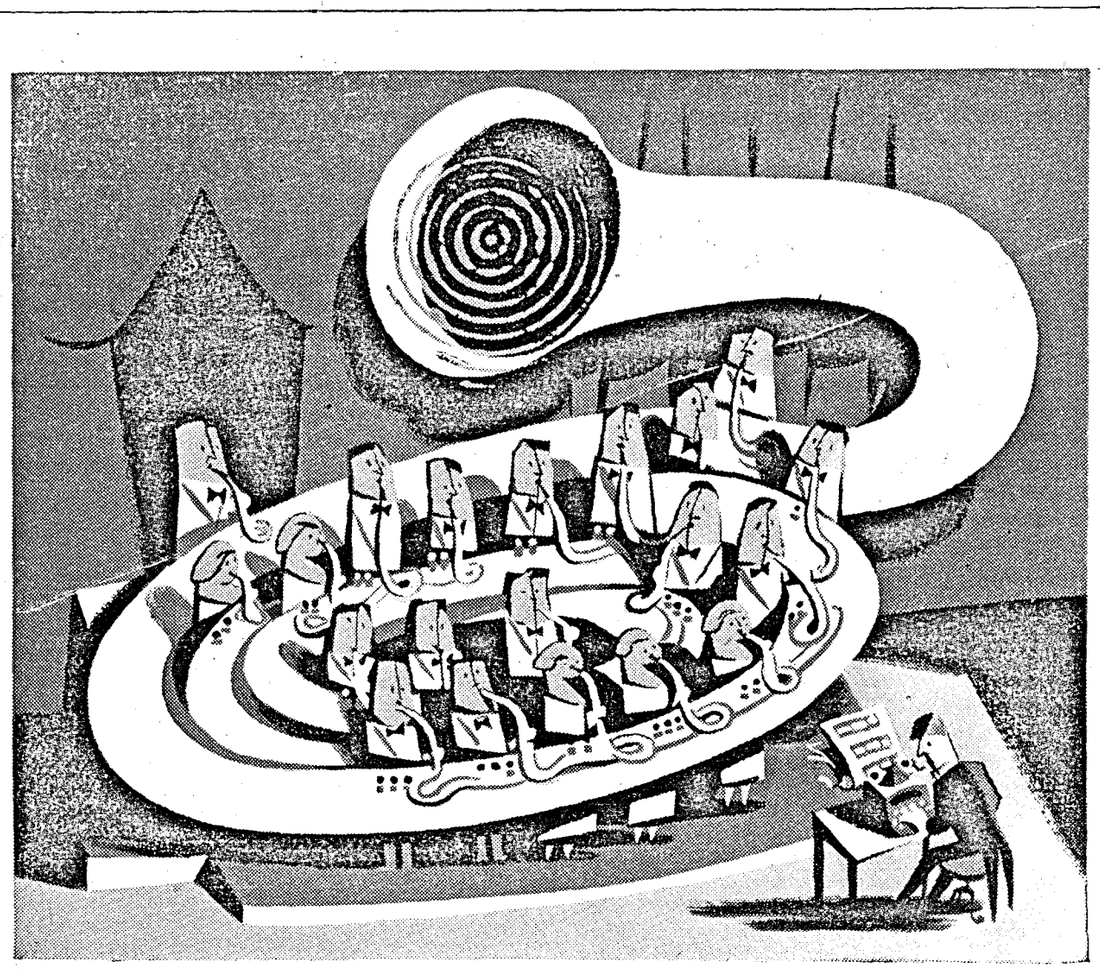
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MUSIC AND THE COMMON MAN

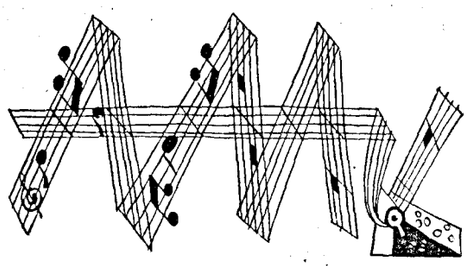
Schweppshire shows the Way

4. SPONTANEOUS COLLECTIVE SELF-EXPRESSION

Once more, Schweppshire anticipates the era of progress—the century of the common, or fairly common, man. The making of music is not left to the individual freak, the isolated and probably introverted and ego-bound "composer", standing or wishing to stand apart from his fellow men. Musical creation is a spontaneous act evolved from the group-will, by the group-will, for the group-will.

In this simplified illustration of the poly-omni-panhorn, musical group-creation is seen at work. Mass extemporising is co-ordinated, not by the domineering baton of the conductor (tawdry effigy of the old slave habit or leader-and-led mentality) but by the "unanimity of the common spout"

The effect of omnipolyphonic music is difficult to describe to those whose ear, brought up to the "tum-ti-tum" of Hindemith or Berg, is not trained to receive four-dimensional sound: nor is its scripting easy. The scribe or *Ubereinstimmung schreibgerätsmann* (right-hand corner) must be specially trained. For his three-dimensional notation (see insct) he uses a three-dimensional typewriter.



Designed by Lewitt-Him, written by Stephen Potter

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

savings rather than the demand for goods and services. Moreover, unearned incomes are likely to go up soon, for the Korean truce has strengthened the already powerful resistance in Congress to the President's request for a continuation of the excess profits tax.

Chief Joseph Transformed

THE controversy caused by the initial rejection of British bids for the electrical equipment for the Chief Joseph Dam on the Columbia River has now not only been settled by what appears a satisfactory compromise, but has also served to clarify the entire question of the Buy American Act. This Act was intended as an emergency measure against depression and dates from President Hoover's final days in office in March, 1933. It is a vague law and was generally interpreted as meaning that government contracts should be awarded to American bidders unless foreign offers were 25 per cent lower. Last June, however, President Truman's Administration ruled that foreign and domestic bids for defence contracts exceeding $25,000 in value should be considered on an equal competitive cost basis.

It was in fact to make such consideration possible, as is explained in a Business Note on page 835, that the original tenders for the Chief Joseph equipment were rejected last April and new bids were invited. Much misapprehension might have been avoided had these technical details been clearly explained at the time, for the American press was as convinced as was the British, and not without reason, that the rejection of the original bids was an attempt by the Republican Administration to give new life to an Act which seems an inexcusable anachronism at a time when it is vital to narrow the free world's dollar gap.

Since this initial rejection, however, a number of developments have suggested that President Eisenhower and his Cabinet have realised that the Buy American Act presents a serious obstacle to the economic salvation of Europe through the "trade not aid" formula in which the President has frequently expressed his belief. While the Chief Joseph Dam project was under discussion several other important contracts were won by foreign bidders. The Swiss Oerliken Company has been awarded a contract of nearly $2 million for generators for the Palisades power plant in Idaho. Another Swiss company has landed a $3.5 million contract for heavy duty electrical equipment for an atomic plant being built in Ohio. The British Ferranti firm has won the bidding for the installation of six transformers at the McNary Dam in Oregon. And now the English Electric Company is to be responsible for the transformers at the Chief Joseph project, although the more costly generators are to be provided by the Westinghouse Corporation, which underbid the British firm on the second attempt.

This American firm has been encouraging demonstrations among its workers against the award of contracts for electrical equipment to foreign firms which, it is alleged, are able to compete only because they pay such low wages. It is protests of this kind that so often induce Congress to try to frustrate the Administration's attempts to foster foreign trade.

Defending the Defence Budget

MR WILSON, the Secretary of Defence, making a second appearance before the Senate committee considering the Administration's $5 billion cut in the funds requested for the Air Force, has had a chance to redeem his own mistakes and to bring Congress back to earth after its exhilarating climb into the stratosphere with General Vandenberg, the Air Chief of Staff. General Vandenberg, who is expected to retire soon and will not have to work under Mr Wilson much longer, was outspoken: to abandon the goal of 143 wings would leave America with a "one-shot, second-best" Air Force and deprive its allies in Europe of American air support. Already, he asserted, the penny-pinching of the new Administration had reduced the efficiency of the Air Force.

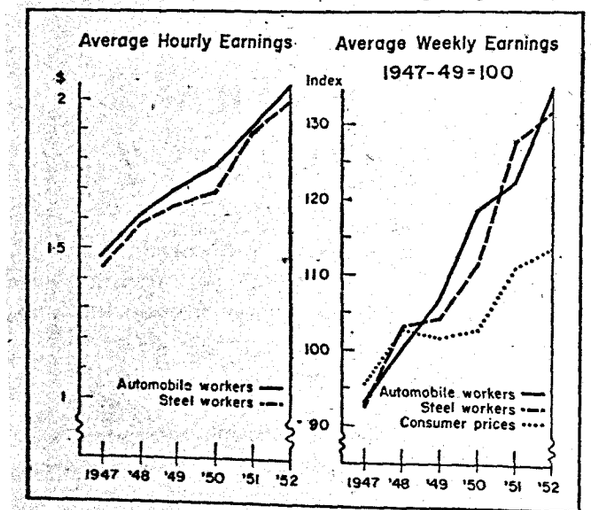
Mr Wilson, in his rebuttal, was as cocksure as ever, and guilty of stretching the meaning of words in, for instance, his statement that, despite the cut, there would be 143 air wings in existence by June, 1955; this figure can be reached only by including the Air National Guard, the "weekend warriors" who were excluded from earlier calculations. But Mr Wilson was on firmer ground in pointing out that the Air Force had built bases and recruited personnel much faster than it had been able to secure new aircraft; that the production schedules had not been met since the Korean war began, and that under the new plan there is to be no reduction in deliveries of combat aircraft during

the next twelve months. Effort is to be concentrated on keeping manufacturers up to the schedules. This is what President Eisenhower meant when he said there would be "fewer planes on order, more in the air." The cuts will fall on training, bases, manpower, and future orders, particularly of new types where technical difficulties still make mass production impossible.

It is idle, as Mr Hanson Baldwin, the military critic of the *New York Times*, says, to pretend that this is not a cut and Mr Wilson's scorn for any research which does not promise immediate practical results is disturbing. But both Mr Wilson and Mr Talbott, the Secretary for Air, have promised that their interim goals may be revised after the new Joint Chiefs of Staff complete their appraisal of military needs in November. Doubts in Congress, particularly among the Democrats, are unlikely to be fully satisfied. But President Eisenhower's conviction that the budget is adequate for national security is likely to carry the day; few Congressmen would set themselves up as greater military experts.

Labour Agreements

PROBABLY never before has a labour contract in the steel industry been agreed so quietly or so quickly as it was this year. This friendly negotiation, conducted with no need for interference from the government, in marked contrast to last year's long strike and bitter legal arguments, is



Source: US DEPT. OF LABOUR

a bright feather in the cap of Mr MacDonald, the new head of the steel workers' union. From the point of view of his prestige within the Congress of Industrial Organisations, it is of even more consequence that the wage increase he won for his members, a straight 8½ cents an hour, was more than any other union had gained this year and far more than Mr Reuther, the new president of the CIO, achieved for his automobile workers three weeks ago.

What the new automobile contract actually amounts to in wages increases has never been revealed officially, if indeed it has been calculated, but it certainly does not come to more than 5 cents an hour. Its importance lies much more in the decreases it avoided: under the formula by which automobile wages are tied to the cost of living, the workers could have lost up to 24 cents an hour had the consumers' price index fallen far enough; now they can lose only 5 cents. And by agreeing to base the calculation on the new instead of the old index, Mr Reuther avoided a fall of 2 cents an hour which would otherwise have come this month. He also won pension gains for his members, something which Mr MacDonald could not discuss this year, since the steel contract was open only for wage negotiations. But already a study is being conducted jointly with the industry on pensions in preparation for next year's new steel contract.

An important feature of the steel agreement was that it provided for the gradual elimination of the wage differential of 5 cents an hour between steel plants in the North and South, something which the union has always wanted to get rid of. The lower wages in the South in many industries have encouraged a steady flow of firms away from the North and in recent years one of the chief sources of conflict between the CIO and the American Federation of Labour has been the question of which group should bring the benefits of trade unionism to these new southern factories.

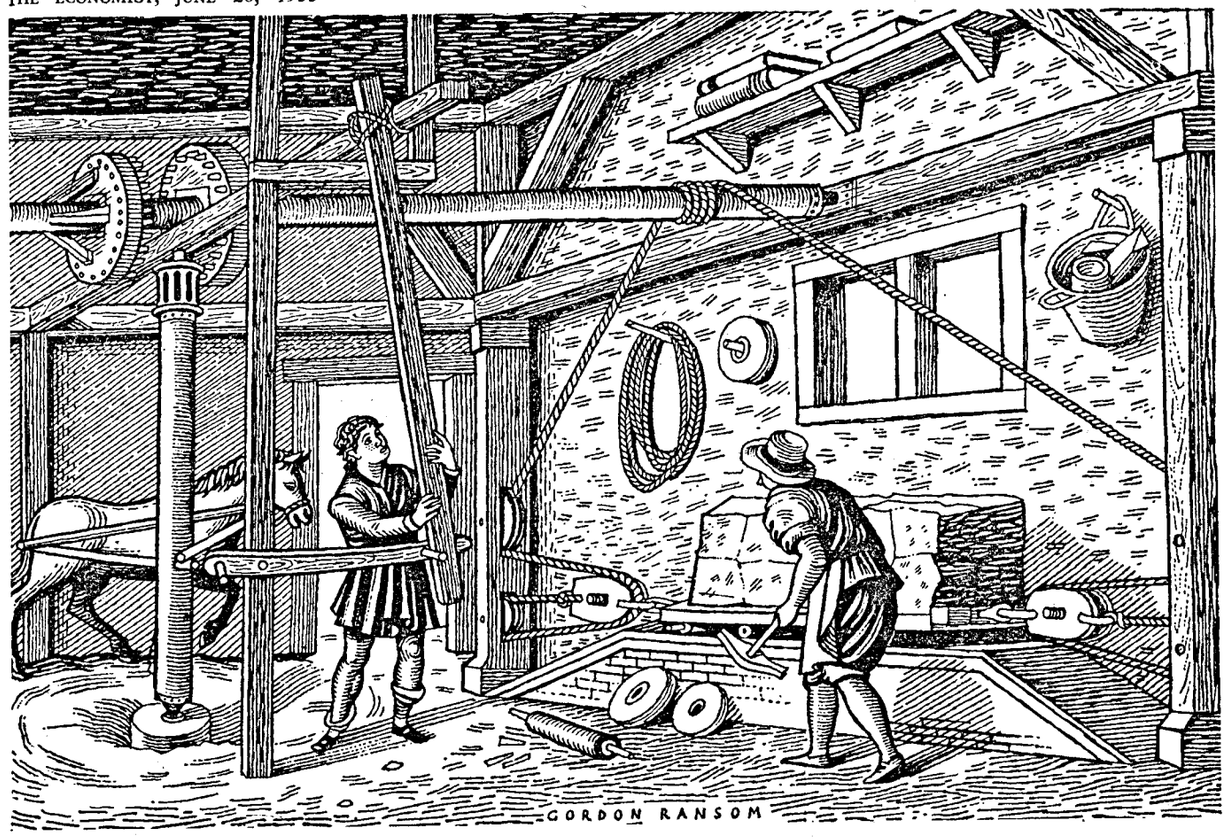
These rivalries between members of the two groups are found both between national unions covering the same industry and local branches attempting to organise the same factory. An essential preliminary to any hope of a successful union between the two branches of the labour movement is the removal of this constant source of friction. A draft of such a "no raiding" pact has now been tentatively agreed by the CIO and AFL and has also been given practical meaning by a more specific agreement between the CIO's automobile workers and the AFL's machinists. These two large trade unions, which compete chiefly in the aircraft industry, will now not only refrain from trying to steal each other's members but will also co-operate in bargaining with employers in industries or plants where both have members.

SHORTER NOTES

A special committee, headed by Senator Margaret Chase Smith, has been investigating General Van Fleet's charges that his operations in Korea were seriously hampered by shortages of ammunition. It has now reported that deficiencies in five types of ammunition resulted in "a needless loss of American lives." The miscalculation and bad planning that caused this tragedy are blamed on President Truman and his leading defence officials by the committee, whose members were too responsible and too respected to have been influenced by purely political considerations in forming their judgment. The only dissenting member, Senator Kefauver, a Democrat, drew attention, however, to the conflicting testimony on which the report was based.

★

In 1951 over 700,000 hours were flown by small aircraft which were helping farmers with a variety of tasks, ranging from blasting leaves off cotton plants to picking fruit. The Civil Aeronautics Administration also reports that 13,000 flying hours were spent in aerial advertising and 227,000 hours in specialised operations such as rain-making.



WOULD YOU EXPECT EXTRA OUTPUT FROM THIS FACTORY?

We do not expect high production or low costs from a ramshackle factory equipped with antiquated machinery turned by animal power or by hand, lacking electricity and piped water, and with no housing available for half its workers.

Yet that is precisely the condition of fully half our farms. Two-thirds of our farms are without electricity. About half our regular farm-workers are without cottages, fewer than half our farm-houses and cottages are supplied with piped water. The standard of farm roads and access to fields is much lower than it should be.

It is not surprising that food production is lower than we want, that costs are high, that many farmers and farm-workers find life a hard struggle for bare existence and that there is a dangerous drift from the land. Yet what is done to help? Farmers farming good land are crippled by super-tax. Those needing capital for expansion are subjected to loans at interest as high as 5½%! Is this really the sensible way to get that vital extra food?

The taxation system must be altered. Long-term loans at low interest must be offered. The land is our finest investment. Let us not forget it!

GROW MORE FOOD IN BRITAIN

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The World Overseas

Dilemma Over the Jordan

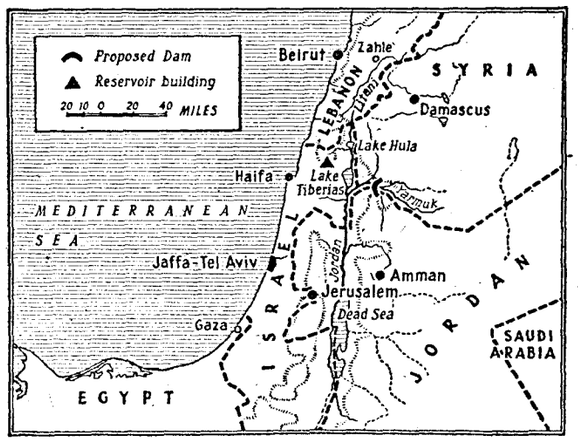
BY OUR SPECIAL CORRESPONDENT IN THE MIDDLE EAST

"EVERYWHERE throughout the area the cry is for water, water for irrigation," said Mr Dulles immediately on his return from the Middle East; likewise he said "Mr Stassen and I came back with the impression that the funds available can well be spent on a co-ordinated use of the rivers which run through the Arab countries and Israel." Almost immediately he had spoken, Tel Aviv chimed in with a reiteration of willingness to discuss a joint river plan for the Jordan and Yarmuk rivers with the Jordanian, Syrian and Lebanese governments. Most experts agree that to use both these rivers in order to turn Lake Tiberias into a storage reservoir of use to three states, Israel, Jordan and Syria, would (in terms of money) be much the cheapest way in which to use two rivers of almost equal size. (The annual flow at their junction is 52 per cent Jordan and 48 per cent Yarmuk water.) But the political experiences of the last few years, and the uncertainty which dogs all Israel-Arab relations, have convinced some of the scheme's champions that its running costs might be prohibitive in terms of tempers and politics. Separate plans for national Israeli and national Arab schemes have therefore been evolved and are both at the final blue print stage. Now both these schemes hang in the balance while Americans ponder, and Israelis make willing noises, and only the Arab states look churlish.

The main political snag to co-ordinated use is that the Jordan-Yarmuk waters are of concern to four countries, but of major importance only to two—the Kingdoms of the Jordan and Israel. A relief map at once shows that the Syrian escarpment lies for the most part high above the river basins and that Syria's great development areas are farther north, round the Orontes and Euphrates rivers. The two scantier users, backed of course by the rest of the Arab League could, as Arab states have often done before now, baulk a plan for Jordan's salvation without much loss to themselves, acting simply in order to obstruct Israel's advancement. The first point that has to be weighed, therefore, in considering the merits of the unitary versus the separate national schemes is not technical but psychological. Is harmony worth waiting for while lands lie arid, refugees linger unsettled, and blue prints fade?

The trouble about deciding in favour of the two national schemes that could be executed tomorrow is that the step is irrevocable; that a joint plan virtually becomes a dead letter, once they are in operation, is evident from a description of each of them. But before giving it, a word must be said about salinity. Lake Tiberias is fed by springs and rivers of which some are fresh and some saline. The Jordan, for instance, when it enters Tiberias contains 20 milligrams of salt per litre and, when it leaves it, 280. (Not till it contains 700 milligrams of salt is water unusable for irrigation.) The Yarmuk inflow of fresh water greatly improves the proportion, but saltness increases as the joint stream flows southward to the wholly salt Dead Sea.

The Israel plan is described first because it is the older in date. Originally many Jewish authorities were in favour of the obvious economy of storing both rivers for all users. But as political relations worsened they modified their plans so as to keep them within Israel's boundaries. They therefore conceived Israel's present long-term countrywide



water plan which, though it proceeds by stages, is designed as a well knit whole. Its two early stages—a three to six year venture of which much is under way—chiefly concern the waters of the coastal plain and affect this article only where they include the draining of the Hula marshes and Lake Hula at the head of the Jordan. This local scheme is providing, inside Israel, much fertile land for settlement, and has increased the flow of the river southwards by reducing evaporation.

The third stage of the all-Israel water plan—to be executed over ten to fifteen years—is the one that worries the Arabs. It is to pump 400 million cubic metres per annum of the headwaters of the Jordan by pipe to a reservoir already started in the Galilean Hills, and thence out of the Jordan basin and down the coastal plain to the Negev. What this scheme, if completed, will do to the level of Lake Tiberias is apparent from the fact that the Jordan flow into it is 597 million cubic metres per annum (though out of it, owing to evaporation, only 511 million). It will leave a shrunken and salty sea. The total capital cost of the all-Israel plan is roughly $1,000 million in order to irrigate 400 million dunums (one million acres).

Because of the problematic future of a joint scheme, the Jordanian's latest plan is likewise an independent operation. Conceived by an American adviser, it is to dam the Yarmuk just below a point where three wadis meet on the Jordan-Syria frontier, and just as it enters the frontier canyon through which it flows almost until its junction with the Jordan. The advantage of the dam to Syria would be a raising of the water table beneath the plateau and the provision of some local power from a station immediately below the dam. The much greater advantage to Jordan would be the conduction of some of the water downstream through a concrete canal built at a high level along the Jordanian hillsides to a second and much larger power station at the far end of the canyon. The plan is, thereafter to use the rest of the canal water for irrigating 210,000 dunums (52,000 acres) of the wide eastern side of the valley floor by gravity flow. The second and larger power house would serve to pump water up on to the west bank. The additional water which flows into the Yarmuk bed below the dam site would be sufficient to service a Syrian spa and the six Jewish colonies on its north bank just above the confluence. The rough first estimate of the cost of the scheme is £13.5 million sterling, without power. The two national schemes are completely independent.

Two Schemes or One?

Each party criticises the other's scheme. The Jews say that whereas Lake Tiberias would serve to hold the Yarmuk's entire annual flow, the "costly artificial Yarmuk reservoir" would only hold part of it. They add that if diversion of the Yarmuk into Lake Tiberias were to give less fresh water than is necessary to render it fresh after their prior removal of 400 million cubic metres of the head waters of Jordan, a balance could be made up from the Hula area. The Jordanians view as laughable any proposition to divert the whole of the Yarmuk into Tiberias unless the whole of the Jordan is going in too. Why should they, they ask, divert their best asset into a lake of which they are not even a border state and where they would be infinitely vulnerable if the Israelis, having built a pipe big enough to carry four-fifths of the Jordan's headwaters over to the coastal plain, were in a position to alter the balance in the lake at the mere turn of a cock. If part of Jordan water is removable, they say, then no Yarmuk water can be contributed.

Whether there is to be one multinational scheme, or two national ones, the Americans will in one form or another do most of the paying. They have therefore a right to call the tune. Their dilemma is the old one between an imperfect decision today (leading to quite a measure of Arab refugee settlement) and a much better one that might be reached in a none too promising future. In making up their minds, they need to weigh the following additional facts. The first is that Syria, which has repeatedly kept them waiting for decisions, is so violently anti-Israel that it has never yet touched their money. (It is unneighbourly even to Arabs; its dilatoriness in putting the seal on the Yarmuk dam agreement is one reason why that project is not already under way.) The second is that quite a good and cheap pilot scheme for an open channel south from the Yarmuk to irrigate the east bank was all ready three years ago, but was dropped because bigger things were on the way. The failure of these last to materialise makes the advantage of doing something at once look very great. The third and far the most weighty consideration is that no economic proposition involving both Jew and Arab has ever worked unless forced upon them. Is Mr Dulles prepared to force an international Jordan Valley Authority on sovereign states, some of which will be unwilling to participate? Is he prepared to apply some screw to forestall their refusal? If so, the unitary scheme is the best. If not, best go ahead with the two others. The bad policy is to haver.

New Deal for the Ukrainians

UNDER the inconspicuous title—"A Plenary Meeting of the Central Committee of the Ukrainian Communist Party"—the Soviet press has reported one of the most important political events in the Soviet Union since Stalin's departure. At that meeting, it is reported, the Committee decided to relieve its first secretary, G. L. Melnikov, of his duties and remove him from the Party's Bureau chiefly because of the errors in his national policy. Mr Melnikov is not merely a local figure. He has been up to now—and has not yet been officially expelled—a candidate to the highest organ of the Party, the All-Union Praesidium (formerly the Politbureau). Even more significant than the downfall of a man so highly placed is the cause of his disgrace. Hitherto, regional leaders have been attacked or dismissed only for local "nationalism" and anti-Russian bias. Nationalism in the outlying republics has been a deviation, while in Russia proper it has been praiseworthy patriotism. Indeed, in recent times russification has been openly encouraged. But Mr Melnikov is now downgraded for having, among other things, imposed the Russian language in the schools of the Western Ukraine. Implicitly therefore he is accused of russification. Thus his case appears to mark a complete reversal of the former Soviet policy towards the nationalities.

Such a change has been foreshadowed by other moves in the post-Stalin era. The doctors, when released, were exonerated from accusations of Jewish nationalism. In the Georgian affair, which followed, Party members previously branded as nationalists were also rehabilitated. Yet, the real test of Russia's policy towards its minorities lies in the Ukraine. With some 40 million inhabitants this is by far the biggest non-Russian group. In the economic and social life of the country it is also most important. It produces about one third of the Soviet Union's coal and steel; and it has a substantially larger *intelligentsia*, a stronger national culture and tradition than any other minority group. Moreover, throughout the history of the Soviet Union it has provided the Kremlin with its most difficult national problem.

At first the revolution seemed to many Ukrainians to herald an era of freedom. The Bolsheviks had always been the most outspoken critics of Tsarist oppression. True, they soon limited their promise of self-determination by the major clause "in the interests of the working class." In the cultural field, however, they were willing to grant a large degree of autonomy. The Ukrainian language was used by

the provincial administration. In all the universities—in Kiev, Kharkov or Odessa—Ukrainian was the main language even though there were many Russian students. Ukrainian nationalists could only complain that they had no right of secession. This liberal policy was inaugurated when the commissar for nationalities was Stalin, the man who a few years later was to provoke the bloodiest social upheaval in the history of the Soviet Ukraine.

With Donbass coal and Krivoy Rog ore the Ukraine was the key to Russia's industrialisation. It was also its granary and there the fiercest battles of collectivisation were fought. This ruthless struggle devastated the country like a major war. The conviction that such bitter memories are not quickly forgotten must have formed the basis of Stalin's subsequent mistrust of Ukrainian nationalism which in the years before the last world war was steadily increasing, partly in reaction to the Great Russian nationalism which was then the official fashion. The régime, however, could not tolerate any centrifugal forces, particularly on its western flank. Yet through its purges of devoted Communist workers and intellectuals in the late 'thirties it only strengthened the hand of the nationalists.



Thus, when the war broke out the Ukraine seemed the best breeding ground for collaborators. The Nazis' unwillingness to redistribute collective land together with their barbarity helped to rally the Ukrainian people to the Soviet cause. There were, however, many defections. Lazar Kaganovich was sent for a year as party chief to the Ukraine to get the difficult postwar situation under control. The gangs of nationalists were exterminated ruthlessly, while the energies of the country were directed to the gigantic task of reconstruction. At first the question of economic survival dominated all other issues. Soon, however, the national problem re-emerged in roughly the same form as before the war. Under the impact of the cold war Great Russian nationalism once again raised its head. The wave naturally swept through the country. What, however, was a virtue in Moscow was considered a vice in Tiflis, Riga or Kiev. In 1951 the Ukrainian poets were strongly attacked for echoing in their own idiom the patriotic notes which were being sounded in Russia. Writers, historians and even Party officials were censured for nationalist deviations.

Thus, politically the growth of the Ukrainian intelligentsia was judged to be dangerous; but economically it was indispensable. There are apparently 158 establishments of higher education in the Ukraine, from which 40,000 students graduate every year. The technicians and bureaucrats sent from Russia must have been submerged in this mass. As long as a nationalist climate was prevailing throughout the country the task imposed by Stalin on his emissaries—to quell Ukrainian nationalism—seemed superhuman. It was not, however, the only task in the postwar period. The Party had also to assimilate and adapt to the Soviet pattern the so-called Western Ukraine, that is, the territories acquired since 1939, chiefly from Poland. It is now admitted that collectivisation was imposed on these lands with an excess of zeal and that attempts were made to russify an unwilling population.

M. Melnikov is certainly taking the blame for much that was not his own doing. He became first secretary of the Ukrainian Party only in 1949 and up to then played second fiddle to Nikita Khrushchev, who is now first secretary of the All-Union Party. Besides, the policy of russification had the Kremlin's blessing until Stalin's death. On the other hand, he may have belonged, together with the disgraced men from the Ministry of Security (Ignatiev and Ryumin), to the "tough" group which hoped to rise to power on the wave of the vigilance campaign. Whether he is a scapegoat or a culprit, however, his departure marks a change of policy. He is replaced as first secretary by a Ukrainian—A. I. Kirychenko—and his place in the Bureau is taken over by the writer Korneychuk who was criticised in 1951. These decisions of the Ukrainian Central Committee are bound to find an echo in the other republics, from neighbouring Byelorussia to distant Uzbekistan. On the issue of nationalities, as on others, Russia's new leaders seem to hold that conciliation pays better than coercion.

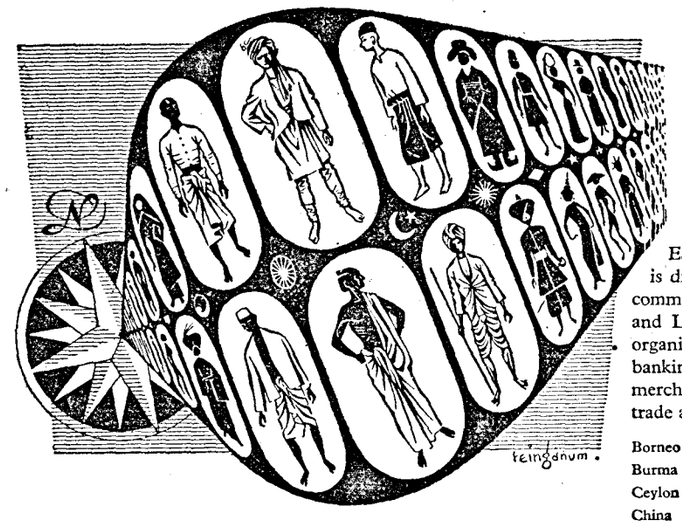
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Economic Integration in Eastern Europe—II

Soviet Economic Stranglehold

RUSSIAN control of the economies of eastern Europe is exercised through the Council of Mutual Economic Aid (Comecon), which was founded in January, 1949, with its headquarters in Moscow. The six original members were joined by Albania in August, 1949, and by Eastern Germany in September of the same year. It is also reasonable to assume that Communist China has now joined the Council; it has participated with the satellites in several triangular deals and the office of the China Export-Import Corporation in east Berlin appears to be largely staffed by east Germans. The closest secrecy has been observed about the details of the Comecon; but from the scattered fragments of information available there emerges the picture of a large and complicated organisation with a big secretariat and many inter-related committees. There is some evidence that a representative of the Council in each satellite capital transmits the directives from Moscow.

After the war the east European states which had fought against the Soviet Union were naturally in no position to withstand the Russians' determination to dominate and exploit; this they carried out principally through their confiscation of all German assets and the formation of mixed companies. In Bulgaria very little is known of these companies, but in Rumania over a dozen, known as Sovroms, have been set up and between them they control the greater part of the country's economic activity. Ostensibly they were formed on a 50-50 basis, but in fact the Russians valued the assets which they contributed at an arbitrary and inflated figure while insisting that the actual value of the Rumanian contribution should be equal



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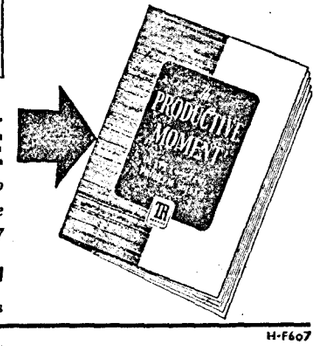
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to the inflated value of their own contribution. Like the similar companies formed in other ex-enemy satellites, they are controlled by Russians, are exempt from local taxation and enjoy what amount to extra-territorial privileges.

In Hungary, the Russians' seizure of German assets gave them a firm foothold in important sectors of industry as well as in banking and insurance ; in some enterprises they acquired an exclusive or dominating interest in this way and in others a smaller share. In addition about half-a-dozen mixed companies, known as Maszovs, have been formed ; the most important of these have between them come to control the extraction of bauxite, coal and oil, and have thereby a strong hold over Hungarian heavy industry as a whole. Secret protocols signed in Moscow in December, 1947, gave these Maszovs, and other Soviet-dominated companies, various privileges which included the right to conclude private barter agreements with the Soviet Union, to receive profits and dividends tax-free and to transfer these to the Soviet Union in the form of goods.

Even the Hungarian Communist leaders seem to have been taken aback by the creeping stranglehold exerted by the Russians over their economy in the postwar years ; it is said that in December, 1947, Rakosi himself intervened to prevent the Russians from acquiring a 50 per cent interest in the Manfred Weiss (M. Rakosi) combine. Last September the Russians made a gesture by agreeing to sell back to the Hungarians 69 Soviet enterprises ; but these concessions do not affect the industries of major importance to the Russians. In eastern Germany, where joint-stock companies (SAGs) were formed from assets originally scheduled for dismantling, some similar gestures were also more apparent than real ; the SAGs now control only about one-tenth of total production, but this includes a quarter of electric power production and two-fifths of the chemical industry.

In enterprises where the Soviet Union has a dominating or partial financial interest, Russians in key positions usually follow as a matter of course. Elsewhere the presence of Soviet technical experts must provide a useful measure of control—a control, moreover, that it is particularly difficult for the satellites to reject since it is presented to them in the guise of brotherly assistance for which they should be deeply grateful. In the more backward satellites, Soviet technicians and blueprints may indeed be an asset ; but Czechs and Poles must feel only very modified enthusiasm for technicians from a country which they commonly regard as less advanced than their own.

Russian help to its satellites is not, of course, confined to technicians and blueprints. The satellites' press contains frequent grateful references to the raw materials, machinery and even whole industrial installations which they are receiving from the Soviet Union. Whether or not these reports are exaggerated, it would be idle to deny that the rapid expansion of heavy industry in eastern Europe must owe a good deal to Soviet deliveries. All the same, from the scanty evidence available, it is reasonably clear that the satellites pay heavily for whatever benefits they derive from their forcible connection with the Russians. It is not only that their economies are heavily strained by the deliveries that they themselves must make to the Russians—and the strain may become even more intolerable if they are called upon to supply a large proportion of the goods needed by China for its industrialisation programme. Soviet orders also spoil the satellites' chances of more attractive markets elsewhere, as well as delaying the equipment of their own industries ; in 1948, for instance, the conclusion of the six-year Soviet-Hungarian trade agreement forced the Hungarians to cancel an important agreement just concluded with Argentina.

Dependence on Soviet Supplies

Moreover, the compulsion of concentrating as much as possible of their trade within the Soviet bloc, not only makes the satellites heavily dependent on Soviet supplies, but also hampers their industrial production by forcing them to make use of inferior materials. It appears that they can only buy abroad those materials which the Comecon is satisfied cannot be obtained within the bloc ; whether they are of the right kind and quality seems to be largely immaterial. Thus the low Hungarian textile production is thought to be largely due to the enforced use of inferior Russian cotton ; while the Czechoslovak chemical industry which formerly used to manufacture end-products from materials obtained from Germany, has now been forced to reorganise itself so as to be independent of these outside resources. The Czech iron and steel industry, which used to use Swedish ore, is now forced to supply its supplies of Soviet ore by opening up its own low-grade deposits—an operation which appears to have been only a partial success.

The central control exercised by the Comecon over the economic affairs of the Soviet bloc also renders the satellites, whose currencies are closely tied to the rouble, vulnerable to various forms of price exploitation by the Russians. If in their trade negotiations with, say, the Hungarians, the Russians insist on delaying a settlement of prices until after the Hungarians have committed themselves to making certain deliveries, then the latter are in a poor position to argue about prices. It is known, for instance, that the Russians paid only $480,000 for Hungarian rolling stock that cost $550,000 to make, and only $6,000 for steel pipes that cost $10,000 to produce. The Russians also play the lucrative role of middlemen in inter-satellite exchanges of raw materials. The Hungarians get Polish coke ; the Czechs get Hungarian wheat ; the Poles get Rumanian oil—but the coke, wheat and oil all come from the Soviet Union as Soviet imports.

(Concluded.)

Markets Overseas

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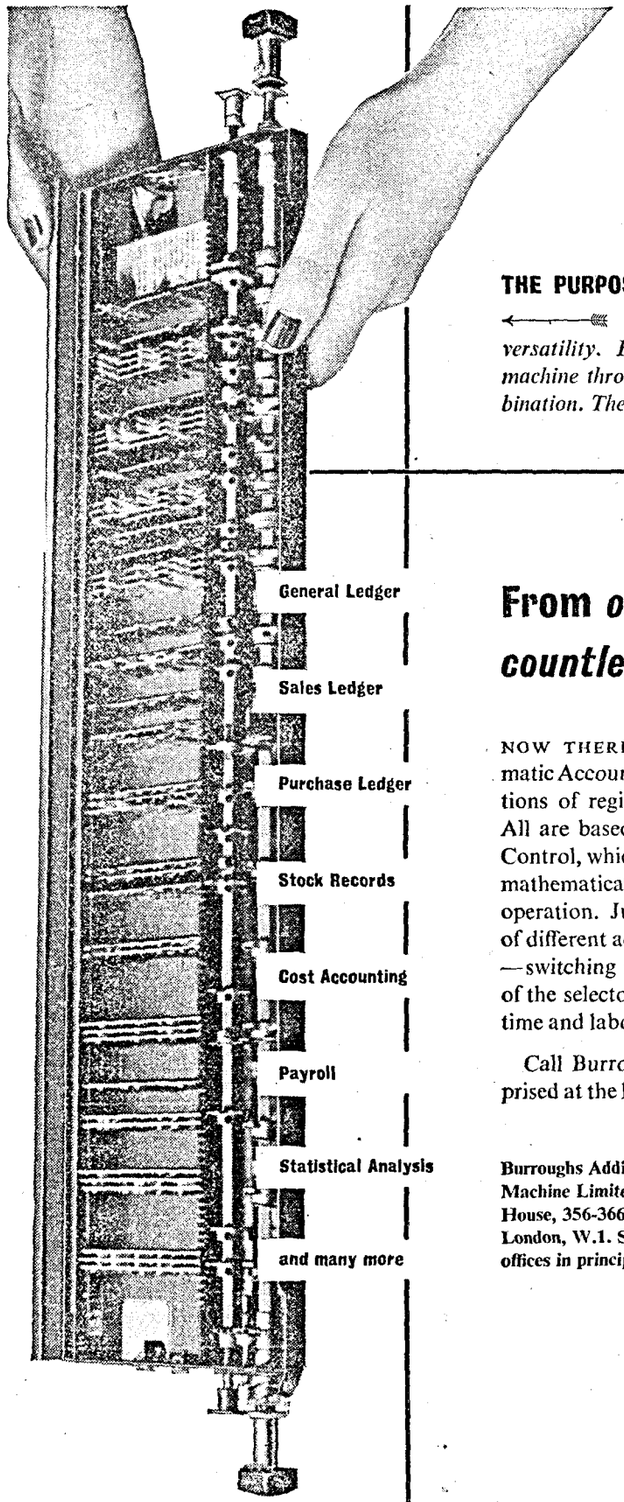
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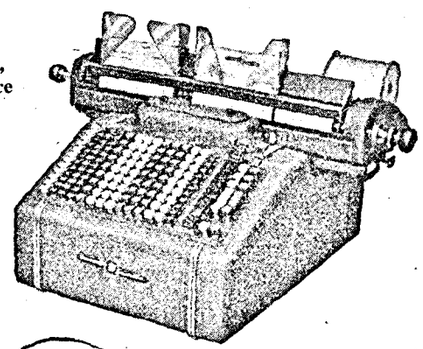
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THE BUSINESS WORLD

Steel Shopwindow

A NUMBER of points of significance to prospective investors in steel shares emerge from the second, and final, report of the Iron and Steel Corporation. The Corporation (which will shortly be passing its steel shareholdings to the new Realisation Agency for disposal to private investors) has computed the profits of its steel subsidiaries at £75 million in the year to September last year, compared with an annual rate of £64 million in the preceding period. Of this total profit, a quarter was earned from exports of steel at a premium over home prices; these export premiums on British steel have been running down, and for certain products (including tinplate) they have virtually disappeared.

The second consideration for investors is the impact of the steel "Industry Fund" upon individual companies; at the end of last September, this fund was £9 million in deficit. The Fund is, in fact, a device for spreading certain costs of steel making across the whole industry and is fed by a levy on crude steel produced and by a special levy on steel made from scrap. These levies cover the cost of importing iron ore, scrap, and iron and steel at world prices, and selling them more cheaply here. In effect, they also reduce the cost of making steel from pig iron and increase the cost of making steel from scrap. Figures published elsewhere support the guess that the spreading of costs (or, in other words, the reallocation of profits) through the Fund was at the rate of £80 million last year. The profits of the Corporation's subsidiaries (before additional provision for depreciation) amounted to practically £75 million. This is a formidable reshuffle, involving the whole net profit of the industry; the amounts by which the costs of a works using imported scrap and iron ore may have been mitigated and those of a works using home ore increased are unknowns that cannot be weighed by the prospective investor. In these financial gymnastics, many who are penalised on the swings also have an agile foothold on the roundabouts. Moreover, the levy has been somewhat reduced since last September, and the Fund should now be self-balancing. But so long as the fund operates it will pose certain questions: What does the Steel Act mean when it talks of "competitive conditions" in the supply of Steel? And what is the investor buying when he acquires a particular steel share?

These are important considerations in the assessment of individual steel companies. Nor does the Corporation's report, with its compendium of the results of its subsidiary companies to last September make more than a beginning in dressing the shopwindow in steel. For that, the investor must still await the appearance of the separate offers for sale. The results of past years have been influenced by the keeping down of prices and profit margins on semi-finished steel and making money out of finished products. Most of the large integrated works thus gain at the finishing end what they might otherwise lose on semi-finished steel. Most of the re-rollers, buying in their billets, have made a comfortable living at the finishing end of the trade. But now a period is opening in which further huge investment in pig iron and crude steel capacity is planned; if, to attract the money for these projects, the price structure in steel was modified, and if imported ore was no longer made artificially cheap, as at present, the whole order of profitability that the steel industry has known in recent years might be radically changed. Such alterations in price policy may not be likely. Imports of iron and steel are being reduced, and in the long run the price of imported ore should come down. But this emphasises the degree to which a steel company's profits

will depend upon prices controlled from the centre—*mainly* by the Supervisory Board.

In these circumstances, it would be vain to look for a perfect standard of comparison of profits between the different steel companies that are likely to be on offer shortly to the investor. Conditions are changing in the export markets ; the intra-industry levies and subsidies may be modified ; and the price relations between different steel products that have subsisted for so long may not necessarily be permanent. Even if the investor proceeds by what is known of the past, he will not be able, at this stage, to push comparisons too far. In the accompanying table, some 25 out of the 80 subsidiaries of the Steel Corporation are ranked in accordance with a simple standard of profit-earning capacity—in some respects, a deceptively simple standard. This standard is based on a comparison of a company's net income after tax with the book value of its net assets. The appearance of a high percentage return is not, in itself, an invitation to go in and buy—though it may be for certain companies. Book values are notoriously defective measures of assets ; they may have been heavily written down—for examples, there are the smaller and older tinplate companies and some of the re-rollers whose plant now appears at an almost nominal sum, and whose profits would show impressive percentages. But for some of these, good trading conditions may not necessarily be maintained, and the day may be close when profits make a poor showing even by reference to asset values that are far below replacement cost. Any inference from such a comparison about the strength of a particular company must therefore be most carefully qualified. But when applied to the major companies it does afford the general conclusion that the apparent return on many finishing operations is comfortably high compared with the return that an integrated plant—particularly a plant that has been completed in recent years at high cost—can generally show by this standard.

Some indications of future development costs—far from complete—are given in the table. Sanction has been given to the expenditure of £60 million this year and next year by the companies now publicly-owned. The second steel development scheme for these companies was put at £250 million on prices ruling early in 1952. With other subsidiary schemes, the Corporation estimates, the companies' total commitments may approach £350 million " in the next few years." This is a large sum. No doubt the companies would wish to find a good part of it—say, a half—from their revenues. But already this year the Corporation has been borrowing steadily to finance part of the cost of development—its bank loans had reached £16½ million by the end of March. If premiums on exported steel continue to narrow, the prospect for profits will be less secure ; the Corporation declares that it would be " unsafe to rely on finding more than £30 million per annum from depreciation provisions and profits retained within the group." The present level of steel profits retained is partly determined by the fact that only £9 million a year has to be found in interest on steel stock ; more liberal distributions on the ordinary capital of an industry restored to private ownership would reduce the amount of net revenues that could be retained. The Corporation adds:

> It will be noted that should trading profits of the group fall substantially, the amount payable in taxation in the years of declining profits could well absorb all the funds arising. In this event the whole of the estimated capital investment of £60 million per annum would require to be financed by external borrowing.

That is the worst contingency and it may never happen ; moreover, the Corporation may be over conservative. But the provision of further money to finance development in steel under private ownership must be a weighty consideration for the prospective investor.

STEEL PROFITS AND CAPITAL (Periods to September 30th)

	Gross profits, before tax		Net income, after tax	Net assets	Profits ratio	Loans from or *to* I. & S.C. *(a)*	Prospective development programmes	Capital structure			Ordinary shares	
								Debs. and Loans	Pref.	Ord.	Nominal	Taken over at
	1950-51 §	1951-52	1952	1952	1952	1952		1952	1952	1952		
	£'000s	£'000s	£'000s	£'000s	%	£'000s	£'000s	£'000s	£'000s	£'000s		£ s. d.
Dorman Long*	4,859	5,333	4,160	24,695	16·9	...	36,500	...	...	12,150	£1	1 13 1
Richard Thomas & Baldwins*	8,858	10,560	4,925	30,723	16·0	*8,600*	14,500	4,788	...	23,090	6s. 8d.	15 3
Hadfields	374	655	508	3,650	13·9	2,605	...	...	311	2,830	8s. 6d.	1 6 3
Whitehead Iron†	1,435	1,227	557	4,310	12·9	*50*	...	...	...	4,843	£1	6 3 7
Guest, Keen & Nettlefolds (S. Wales)†	960	1,179	473	3,916	12·1	400	...	...	...	5,251	£1	2 6 0
Stewarts & Lloyds*	11,146	13,395	5,571	46,407	12·0	...	15,500	...	...	29,592	£1	2 17 4
South Durham*	948	1,081	764	6,917	11·1	2,640	7,500	...	...	1,272	£100	108 0 0
Brown Bayley	708	725	303	3,060	9·9	*300*	...	...	...	1,129	£1	3 10 0
Colvilles*	5,100	4,756	2,072	21,762	9·5	*5,500*	28,000	...	2,650	7,447	£1	1 18 0
Guest, Keen, Baldwins*	1,735	2,081	944	10,009	9·4	*500*	5,000	...	1,627	5,801	£1	2 15 0
Lancashire Steel*	2,888	2,348	1,183	12,849	9·2	*2,500*	8,500	...	2,388	6,059	£1	1 15 0
Steel Co. of Wales*	1,128	3,477	1,769	21,536	8·2	13,500	46,500	43,200	...	5,766	£1 (1s. pd.)	6 0
Firth-Vickers†	1,111	867	421	5,131	8·2	...	...	...	...	1,450	...	...
English Steel	3,500	3,977	1,521	18,842	8·1	...	...	908	3,901	17,254	£1	15 5 0
Bairds & Scottish*	657	820	345	4,370	7·9	*2,650*	9,000	...	1,313	3,234	£1	1 18 6
John Summers*	3,049	2.728	1,409	20,081	7·0	...	5,500	5,000	3,450	6,246	£1	1 14 0
William Beardmore	349	1,041	293	4,389	6·7	*600*	...	...	1,259	2,549	£1	2 13 8
Millom & Askam	284	223	95	1,517	6·3	*68*	...	...	498	614	5s.	10 6
Thos. Firth & John Brown	1,834	2,447	619	11,224	5·5	*550*	3,000	...	...	7,732	£1	3 18 2
United Steel*	4,743	6,137	1,961	36,052	5·4	2,000	24,500	...	5,819	15,478	£1	1 10 4
Darlington & Simpson†	253	208	88	1,658	5·3	...	1,500	...	868	311	£1	1 12 9
Pease & Partners Normanby	*Dr 63*	44	28	687	4·1	50	...	...	...	525	£1	17 6
Park Gate*	350	223	79	2,050	3·9	2,059	...	...	...	1,403	10s.	14 0
Consett Iron*	1,091	1,287	434	11,563	3·8	4,823	7,000	...	881	6,429	6s. 8d.	15 3
John Lysaghts	*Dr158*	*Dr378*	*Dr 378*	1,284	...	2,500	1,500	7,000	...	2,023	£1	1 0 0

* Mainly integrated iron and steel plants. † Mainly rolling mills. *(a)* Loans from the Corporation shown in roman type ; loans to the Corporation shown in italics. § Adjusted to 12 months basis.

Engines for Ships

CHOICE of the type of marine engine to propel a new ship is no easy matter for the shipowner ; and today the variety of equipment he has to choose from is widening rapidly. Many variables have to be weighed, such as the conditions of service, the speed or power needed, first cost, reliability and maintenance costs, and fuel costs and availability ; one or other of these considerations may on occasion be decisive. Until recently the main choice has usually been between the steam turbine and the diesel engine, in various forms. But already a new form of propulsion, the gas turbine, is on the scene ; and the use of nuclear energy for marine propulsion may not be far distant.

The marine gas turbine is still in an advanced stage of experiment, particularly for commercial, as against naval, operation. But its advent has already called out considerable advances in technique and performance from the more conventional forms of marine engine. From the point of view of prime cost, reliability and ease of maintenance, the reciprocating steam engine still remains a suitable choice for many types of ship, but the principal rivals for the favour of shipowners today are the steam turbine and the diesel engine. From the table, which gives an analysis of the world merchant fleet according to propulsion, for 1939, 1948 and 1952, it can be seen that the triple-expansion steam engine, including engines that incorporate a low-pressure exhaust turbine, has lost ground in terms of its share of total tonnage since before the war. Steam turbine propulsion, by this yardstick, has increased its share rather more than the diesel in comparison with 1939 ; but since 1948 the motorship has increased rapidly.

These figures illustrate the fleet in being, and must be considered in the light of intervening events. Enemy bombs and torpedoes sank steamships and motorships indiscriminately during the war, but the huge wartime replacement programme, undertaken mainly in the United States, gave precedence, inevitably in the circumstances, to steam reciprocating and turbine machinery. Since the end of the war, economic considerations have dictated the choice of machinery to a greater degree once more, and there has been much more variety in the types of ships built and the services for which they have been designed. During 1952, for instance, of the 1,074 vessels, totalling 4.4 million tons gross, which were launched, 838 vessels of 2.9 million tons were motorships, 110 vessels of 1.3 million tons were turbine ships and only 126 vessels of 259,000 tons had steam reciprocating machinery.

Diesel propulsion is generally preferred for medium-sized ships, but larger ships are mainly turbine steamships. For the higher powers and faster speeds required in passenger ships or large tankers, for example, steam turbines so far have been the only possible answer. Using the higher temperatures and steam pressures that metallurgical advances have now made possible, as much as 20,000 shaft horsepower can be developed by a turbine installation driving a single propeller shaft. The general postwar tendency for the size and speed of merchant ships to increase has thus favoured the adoption of steam turbine machinery, but turbine engineers have by no means been neglecting the other end of the scale.

Marine diesel engineers, on the other hand, have made considerable progress recently in their endeavours to overcome drawbacks of size and weight in competition with steam turbines for the higher powered ships. This has been achieved through the application of turbo-charging systems to the two-stroke engine of high horsepower. The effect of this development, pioneered by the Danish firm of Burmeister and Wain, is a considerable saving in engine weights and sizes for the power developed. The recently completed cargo liner *Songkhla*, for example, a vessel of about 10,000 tons deadweight with a loaded speed of nearly 17 knots, is powered by a " supercharged " 7-cylinder engine capable of developing 8,750 brake horsepower in normal continuous service. Without turbo-chargers, it would take at least 9 or 10 cylinders in a normally aspirated engine to give this power, and the new system can provide a saving of about 30 per cent in weight and 20 per cent in length of engine ; alternatively, an increase of about 35 per cent of horsepower can be provided for the same weight and size of engine. By adopting the new system, therefore, a shipowner can increase his carrying capacity or his speed, or take the advantage of any combination of the two that suits him best. Although the *Songkhla* has only recently completed its trials, orders for no fewer than 50 sets of these diesel engines

have already been placed with the manufacturers and their licensees, including British marine engineers.

It has thus become possible for marine diesel engines to provide much higher powers without the necessity of duplicating the machinery and providing twin screws. Another method of obtaining a similar result from diesels, that has been finding increasing favour, is by the installation of two or more diesel engines in a ship, coupled to a single shaft through gearing, or hydraulic or electro-magnetic couplings. By using two diesel engines " in parallel," as it were, a considerable saving in the length and height of the engineroom can be achieved, which can be used for increasing passenger or cargo accommodation. There is also the advantage that if one breaks down the ship can still run on the other. In fact, when two engines are coupled to one shaft a breakdown in one engine may reduce the ship's speed by only about 15 per cent. This means an even greater saving in fuel consumption and may in some cases be adopted deliberately. Some owners have found, for example, that it is profitable to instal twin geared diesels but to use the extra power of the second diesel only when circumstances require it.

The gear diesel installation, therefore, combines single-screw efficiency with multi-engine reliability, and in it the use of hydraulic or electro-magnetic couplings has revealed certain further advantages. The loss of power through propeller " slip " has been reduced from about 8 per cent in the case of direct drive to as little as 2 or 3 per cent with hydraulic and less than 2 per cent with electro-magnetic drive. Flexibility and manœuvrability have been greatly increased. Since the two coupled diesels will be smaller than a single slow-running engine of higher power, the cost of spares and replacements is lower, although this is offset to some extent by the larger number of cylinders. Nevertheless, it means that more running repairs and overhaul can be carried out by engineers on board ship, and the amount of shore work correspondingly reduced.

Similar flexibility of engineroom arrangement and manœuvrability can be achieved by the use of electric propulsion motors, to which current can be supplied by alternators, actuated either by diesel engines or turbines (steam or gas). This system has notable advantages in certain conditions of service, but its high prime cost and complications of maintenance still militate against its more general adoption.

Fuel consumption is an important factor, not only because of the cost but also because of the space and carrying capacity that must be used for its storage over a long voyage. In this connection, the existing economy of the diesel engine over the steam turbine has been increased by the development of equipment that enables diesel engines to burn ordinary boiler fuel instead of the more expensive diesel fuel. On the other hand, diesel engines generally require considerably more maintenance than turbine machinery. Maintenance can be an expensive item over the lifetime of a ship, involving losses of earnings through delays as well as expenditure on spare parts and repairs—and it is often argued that the lower maintenance costs of turbines more than compensate for their higher fuel costs.

★

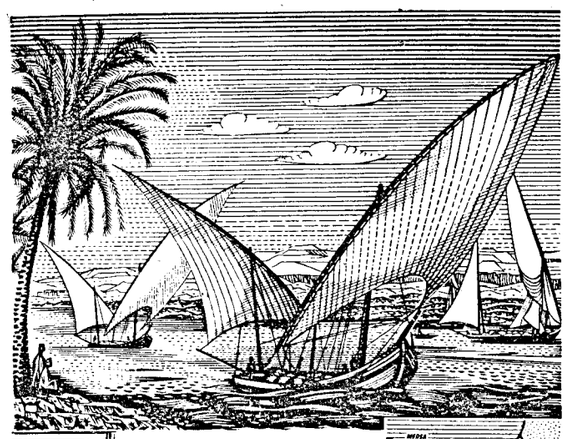
Really full comparisons of operating costs seldom become generally available, and the trend of shipowning opinion is often influenced by indications of policy from large groups operating vessels with propulsion equipment of all types. Since the war the lead has often been given by the tanker companies; apart from being very large fleet operators, they are experts in fuel economy. The Shell group's marine research department, for example, was primarily responsible for the adaptation of diesels to use residual fuels. But the impression that this development made upon shipowners in general was somewhat tempered by the subsequent decision of the group to make all but one of the 50 " general purpose " tankers of about 18,000 tons dw that it has recently ordered turbine steamships. Most of the largest tankers now being built have turbine power, though some motor tankers of up to 32,000 tons dw are in service or under construction; but the Shell group's new programme provides an example of turbines invading a field that the diesel engineer might have reckoned as his own special preserve. It is true that in tankers there are special demands for steam to heat the cargo for handling purposes, and steam is also used for the cargo pumps though these may be electrically driven.

For a preliminary verdict on the economics of the marine gas turbine, shipowners have again to look to Shell. Experience with one gas turbine unit in the tanker *Auris* (the balance of its power is diesel-electric) has shown that repair and maintenance costs may be almost negligible on a gas turbine. One of the 50 new tankers for the Shell group is now to be powered entirely by two gas turbines, driving a single propeller shaft through electric motors and reduction gearing. Since all the other tankers in the new Shell programme will use turbine or turbo-electric systems, and all will have the same horsepower of 8,300 shp, it should be possible by 1956 to obtain a direct comparison of the operating and maintenance costs at least of these three types of propulsion.

PROPULSION OF THE WORLD MERCHANT FLEET
('000 tons gross)

Method of propulsion	1939	1948	1952
Steam turbine and turbo-electric	9,728	19,261	22,391
Diesel and diesel-electric	16,919	17,191	26,150
Steam reciprocating, including combined L.P. turbine	41,863	43,840	41,640
TOTAL	68,510	80,292	90,181

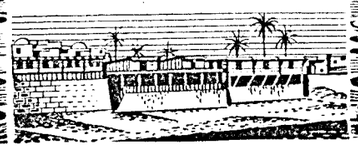
Source: Lloyd's Register.





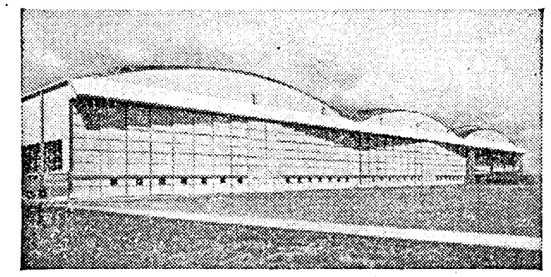
THE GIYASSA: The Nile was the national highway of Egypt long before oxen drew carts or men went on horseback and even to-day in the face of competition from all forms of modern transport, the great river is still the cheapest means of transporting goods to and from the coast. The giyassa, the boat most commonly used for this purpose, varies in size but averages seventy-five feet in length. Like some ninety per cent of the craft in usé on the Nile to-day it is a sailing vessel and carries a crew of two or three, the captain being frequently the owner as well. The cargo is stowed in the bottom of the boat and often rises above the bulwarks: a familiar sight is a giyassa piled high with earthenware jars, another typical load might include cotton, sugar cane and fertilizers. Our branches in Egypt are particularly well placed to answer your questions on market conditions, or local commercial undertakings. Please address your initial enquiries to our Intelligence Department, 54 Lombard Street, London, E.C.3.

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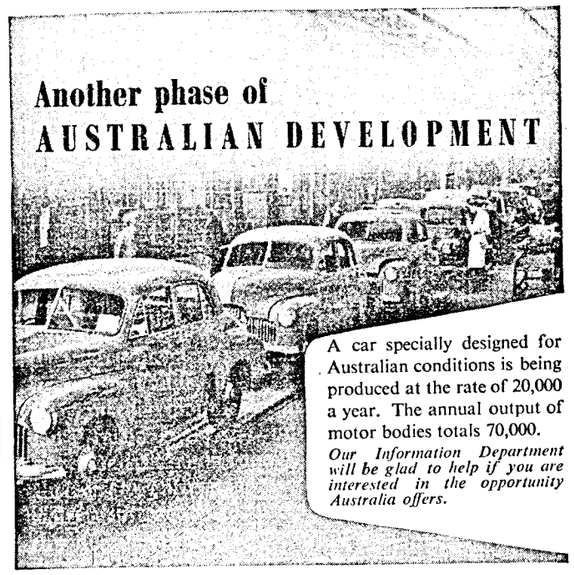
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Business Notes

More Modest Funding

THE recent rumours of a new government loan were confirmed last Monday more promptly than had been expected, but the operation proved to be a less ambitious one than the pundits of the gilt-edged market were envisaging last week. It took the unpretentious form of another issue for cash of a further tranche of the 3 per cent Exchequer stock, 1960, first issued early last March ; the lists were opened last Thursday, and closed at 10.15 a.m. As on the previous occasion, the amount offered was £100 million, but this time the issue price was par, instead of 99½, a difference equivalent to the greater part of the advance that had occurred in the stock during the preceding three months. The gross redemption yield offered by the original tranche was £3 1s. 7d. per cent at the issue price, whereas at one time last week the corresponding yield offered at the market price was down to £2 19s. 2d. per cent. The yield offered by the new stock of a level 3 per cent was only a shade above the market basis at the time of the announcement, since the effect of the rumours current in the market had been to force the price slightly below its peak.

The issue had been heralded by the recent success of the authorities in disposing of departmental holdings, a success clearly indicated last week by the raising of the prices for the supply of stock through the unofficial "taps" and then by the closing of the tap in the 1960 stock. This clearly implied that the departments had sold as much of their portfolio as they were prepared to relinquish ; but the market generally expected that the new operation would be designed not only to provide the authorities with a further supply for tap sales of this kind, but also to make a first attack upon the maturities that lie ahead—£577 million of 1¾ per cent Serial Funding stock falls due in mid-November and £810 million of National War Bonds are finally repayable three and a half months later. The market is assuming that this problem is now not likely to be tackled before the autumn. The new issue therefore seems to have been designed to enable the authorities to capitalise, in a small way, the recent advance in the market and simultaneously to restrict the rise in the liquidity ratios of the banks during the summer season of Exchequer borrowings. Some of the banks and other institutional investors were undoubtedly interested in the new stock, but it is too long to be suitable for the discount market, and some of the institutions had probably already filled their immediate requirements through the market. It seems probable, therefore, that departmental participation has been substantial ; if so, the immediate effect upon the banks' ratios will be slight. In short, the tactics fit in neatly with the principles of the budget and with the Chancellor's indication that monetary policy would probably be kept for some time on an even keel.

Counsel from Basle

FROM the undefiled air of Basle comes the annual dose of orthodox exhortation that can be depended upon in the report of the Bank for International Settlements. This year the sermon is addressed to a seemingly more receptive and sympathetic audience and is, therefore, couched in less aggrieved tones than those of some earlier reports. Two themes dominate this year's report. The first is the question of the financing of investment. On this the report points out that countries which have been most successful in solving the problem of non-inflationary investment are those which have sought to achieve both physical reconstruction and monetary rehabilitation at one and the same time. In these countries "the maintenance of monetary confidence has created the conditions for a flow of genuine domestic savings." The report throws liberal doses of cold water on the policies of those countries that have laid the main stress on savings achieved by means of budget surpluses and self financing by companies. It argues that substantial savings out of a budget surplus demands heavy taxation which, in turn, may cause a reduction in private savings greater than the amount of the attempted budget surplus. Experience, says the BIS, has revealed the uncertain nature of official contributions to capital formation and has shown that capital markets can provide substantial funds for investment provided three conditions are satisfied: that monetary stability is maintained ; that the level of taxation is not so high as to make private savings impossible ; and that no attempt is made to impose unnaturally low rates of interest rates.

The second theme of the BIS report almost chose itself: convertibility. The objectives should be complete convertibility, avoiding all flirtations with insulation and permanent discrimination against any one currency. "Europe's whole history shows that the periods when it has been cut off from other regions of the world have been its dark ages." Moreover, "convertibility is a flexible bond which constitutes the most effective and the least rigid form of integration." Therefore "the movement which is at present carrying most of the countries of Europe towards genuine convertibility should not be allowed to lose its momentum." But even the BIS does not suggest that an immediate jump into complete convertibility and non-discrimination in international trade is practical politics. It envisages the plan of action in a series of stages including a period of transition during which "a wider margin of (exchange) fluctuation should be permitted than would be acceptable in the long run." It is quite evident that within the walls of the Bank for International Settlements the discussion of the problem of convertibility has ranged beyond the realm of principles and generalities and has progressed well into questions of technique.

British Transport's Surplus in 1952

IN all the circumstances of 1952, the achievement of a net revenue surplus of £8.4 million by the British Transport Commission was meritorious ; to mark its fifth year, it shows the first significant net balance, of £4½ million, after meeting its obligation to redeem its capital. To sum up the five years, the Commission carries forward a deficit of £31½ million, after providing £17½ million for capital redemption ; this deficit was largely incurred in 1949 and 1950 and it represents little over one per cent of the revenue receipts (£2,860 million) over the five years. For a year which saw a distinct recession in trade in the early months and was loaded by increases in costs of various kinds—including coal and steel, £7½ million a year and increased fuel tax, £5½ million a year—the results are good. They would have been better if the Transport Commission had not been denied the benefit of increased charges for which it had applied, and in London had actually been awarded, worth about £6 million.

Throughout the five years, the Transport Commission's charges have followed in the wake of rising costs for steel, coal and wages. The new Act promises a rather more rapid adjusting of charges to costs which should protect the Commission from being left hopelessly behind in the inflationary race of costs. Towards the end of 1952 costs were again rising steeply, and although the Commission obtained an increase in freight charges last December and is awaiting the result of an application to the Transport Tribunal for an increase in London fares which if granted would bring in £6 million a year, its finances are most unsatisfactorily balanced on a knife edge. The railways earned net traffic receipts of £39.6 million, but at the high operating ratio of 90 per cent ; London Transport "made no reasonable contribution" to the Commission's results ; and the road haulage services, hit by recession, increased fuel duties, and by "the prevailing uncertainty about the future of these services" provided a meagre return.

Beyond the particular complications of last year lie the tasks of disposing of the road services and reorganising the railways ; the provision of a reserve fund and means for the replacement of assets at current prices ; the effective starting on the job of renewing old locomotives and railway coaches which has been sharply—and even unreasonably—curtailed on the ground that steel was scarce. In this new and more competitive phase, the Commission will enjoy real opportunities ; the more quickly it can proceed with effective reorganisation and the reinforcing of a vigorous commercial spirit in its operations the greater will be its chances of success.

Consolation Prize for English Electric

THE second set of bids submitted by competing companies for electric generators and transformers for the American Government's Chief Joseph power project has produced a solution that satisfies honour all round. The first set of tenders put the engineers in charge of the project in a difficult technical dilemma and their efforts to extricate themselves from it evoked a political storm out of all proportion to the points in dispute. British and American power engineering practice differs in detail, and unless the specifications for a project put out to international tender are precise, the bids submitted are apt to reflect these differences of practice. This appears to have been true when English Electric submitted a tender of $6 million for four generators and ten transformers, nearly $1 million lower than the next tenders put in by American manufacturers. The English Electric tender appears to have followed British rather than American practice on certain points where the specifications were not precise, and this made it unacceptable by American engineering standards. But since the engineers in charge of the Chief Joseph project could hardly have justified a decision to accept instead the far higher American tenders, they decided to reject all bids and ask the competitors to tender again to more detailed specifications.

The fact that the earlier tenders were known clearly put the British company at a disadvantage, but since the engineers had made the initial mistake of giving the competitors insufficient guidance, the damage was done. As it turned out, English Electric's second tender for the ten transformers, of $1.8 million, was the lowest received and was accepted ; its bid of $4.4 million for the generators was $97,701 higher than that submitted by Westinghouse and was rejected.

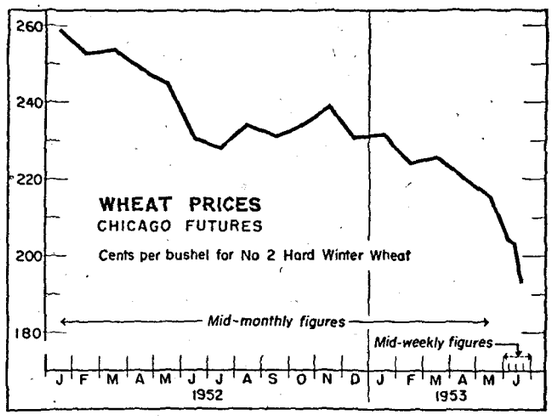
Most engineers—British or American—would prefer to buy plant when they can from local suppliers rather than from suppliers several thousands of miles away. But this natural preference has not prevented contracts being given by American authorities to foreign suppliers when their bids are sufficiently low. Last year the Ferranti company was awarded an Army Engineers' contract for nine transformers, and at the end of May its bid of $857,600 for six transformers for the McNary Dam in Oregon was also accepted by the Army Engineers. Swiss manufacturers were given a $2 million contract by the Interior Department for four hydro-electric generators at the same time. None of these is as big or as important as the generator contract that English Electric has just lost by so narrow a margin (and would have won on its earlier bid), but they are at least indicative of a fair measure of good will among technicians who are being asked to change the habits, and the suppliers, of a lifetime.

Falling Wheat

THE price of wheat sold outside the International Wheat Agreement has been moving slowly downward for the past eighteen months ; in the past week, the Chicago market has taken a sharper plunge downward, from which only a slight recovery has occurred. July futures, which ten days ago were quoted around $2.03 a bushel, dropped to $1.89 early this week, and rallied later to $1.93. When the new International Wheat Agreement was signed on April 13th, with its stipulated maximum price of $2.05 a bushel, Chicago July futures were quoted around $2.25.

The recent fall in wheat has been encouraged by the American government's latest crop forecast. The total crop of winter and spring wheat is estimated at 1,133 million

bushels, against 1,292 million bushels in 1952, but the estimate for spring wheat is 363 million bushels compared with only 239 million bushels last season. But the basic



reasons for the fall are the steady decline in exports of American wheat this year and the apprehension of "bursting granaries" in the United States.

Rolls-Royce and Westinghouse Agreement

A WEEK ago Rolls-Royce signed a ten-year agreement with Westinghouse Electric Corporation. This agreement, for which Westinghouse is to pay an initial, and considerable, capital sum, to be followed by later instalments, provides not only for technical co-operation but also for direct help from Rolls-Royce in the development of current Westinghouse engines. For many years Rolls-Royce has been licensing engines to one of the major American engine companies, Pratt and Whitney, who built first the Rolls Merlin piston engine and then the first Rolls jet engines. Pratt and Whitney, however, took no steps to license the Avon engine, the newest in the Rolls-Royce series, but began to develop a similar engine of its own design. The Curtiss Wright Company, in an attempt to make up for lost time, three years ago bought the designs of Armstrong-Siddeley's turbo-prop Mamba and pure jet Sapphire, an engine of about the same power as the Avon. Last year, also, the Curtiss Wright Company acquired the American rights for the Bristol Olympus engine that recently set up a new height record. During the summer, the General Electric Company reached an agreement with de Havilland for technical collaboration on engine design.

It seems probable that these companies would have seen distinct attraction in collaborating with Rolls-Royce, for it has the Avon in production as the standard engine for the RAF and a good proportion of the Nato fighters; and it has the future promise of the by-pass Conway engine which may revolutionise jet engine design.

The agreement with Westinghouse is a tribute to the ability of Rolls-Royce as designers and builders of engines. Suggestions that cuts in the defence programme might leave Rolls-Royce with some idle capacity by 1954, especially in the Glasgow factory, have been denied by the chairman, Lord Hives. The company knew of the defence cuts last autumn, but since the beginning of this year it has booked £8 million worth of new commercial business for aero engines alone. This almost certainly excludes the sum that Westinghouse will pay under its agreement; there is every indication that Rolls-Royce is likely to work to capacity for some time to come.

Power for Industry

IN 1948 British industry generated in its own factories something over 8,560 million units of electricity, which was just under a third of all the power it used. The total number of units privately generated had not altered greatly since 1935, the date of the previous census of production, when industry was making more than half its own power. In other words, the great bulk of the extra power that industry is now taking—and consumption between 1935 and 1948 rose by 84 per cent—comes from the public electricity supply.

This "absence of development of industrial electricity production in Great Britain" puzzled the Economic Commission for Europe recently; although industrial power generation as a percentage of industrial and transport consumption has fallen throughout Europe since before the war, Britain comes particularly low on the list, comparing with countries such as Italy and Denmark. The lack of expansion in private power generation here, however, is a matter for self-congratulation to the British electricity supply industry; and at the British Electrical Power Convention last week spokesmen of the British Electricity Authority took due credit from the fact. Their broad conclusion, naturally enough, was that the growth of consumption of power from the public supply, by making possible more economic use of the growing supply system, had enabled its owners to offer extra power more cheaply than consumers would generate it themselves. And broadly, no doubt, this is true. In 1948, of course, industrial tariffs had changed little in form since before the war, though most prices had moved steadily upwards in accordance with a coal clause. The latest array of two-part tariffs being offered by the Area Boards to industry are designed upon unexceptionable principles. But some industrialists would question whether the actual tariffs offered, despite these principles, are in practice fair between consumers—and in particular to the industrial consumer with a high load-factor, who should be so desirable a customer.

Electricity at the Plant

THE form of private generation of electric power most favoured for reasons of fuel economy today is one combining the supply of heat and power. Many factories generate steam in their own boilers for process work and for space-heating, and at the same time buy electricity from coal-fired power stations where most of the heat generated is dissipated in cooling towers. The introduction of a back-pressure turbine into the factory's steam system, in theory, would often enable all or part of its electricity requirements to be met without calling upon the public supply, with a considerable saving in coal owing to the higher thermal efficiency of a combined heat-and-power system.

At last week's Electrical Power Convention, Mr H. S. Prosser of the British Electricity Authority and Mr A. W. Pedder of Merz and McLellan, in a joint paper, examined the economics of such combined systems. They regretfully set aside the idea of district heating systems, in which communities would draw hot water warmed by heat bled from BEA heat-electric power stations; they concluded that practicable systems would hardly save coal and would give the householder more expensive hot water (though much more of it). After a detailed examination of back-pressure generation inside factories, they concluded that this would not generally be profitable for a factory with a steam demand of less than 25,000 lb. an hour. In all cases, the economics of it depend upon the balance between the factory's steam and power requirements. But in larger installations they hold that back-pressure generation may be reasonably worth while and can become highly profitable, by comparison with the purchase of power from the public supply; while the saving in coal is very considerable. Group schemes, by which a combined heat-electric station could serve a number of factories, seemed to them unlikely to show much greater savings, though these offer the possibility of obtaining a national saving in fuel through the association of companies that alone could not find the money to instal such equipment.

Some industrialists using factory generation would put the size of steam installation at which back-pressure generation becomes worth while, given suitable conditions, considerably lower than these speakers. Even so, the slow progress in the installation of fuel-saving equipment in this country has arisen perhaps less from the sheer economics of its operation than from the general shortage of capital, and the fact that industrialists to whom fuel costs matter little can usually find productive equipment that would be more immediately profitable to spend their money on. This has probably been the reason for the lack of response to the Treasury's offers of loans to instal fuel-saving equipment. This week, in an attempt to ginger up the scheme, the Chancellor of the Exchequer announced that the loans would be available for a wider range of equipment, would be repayable over a longer period, and would become interest-free for the first two years.

The Comet Crash

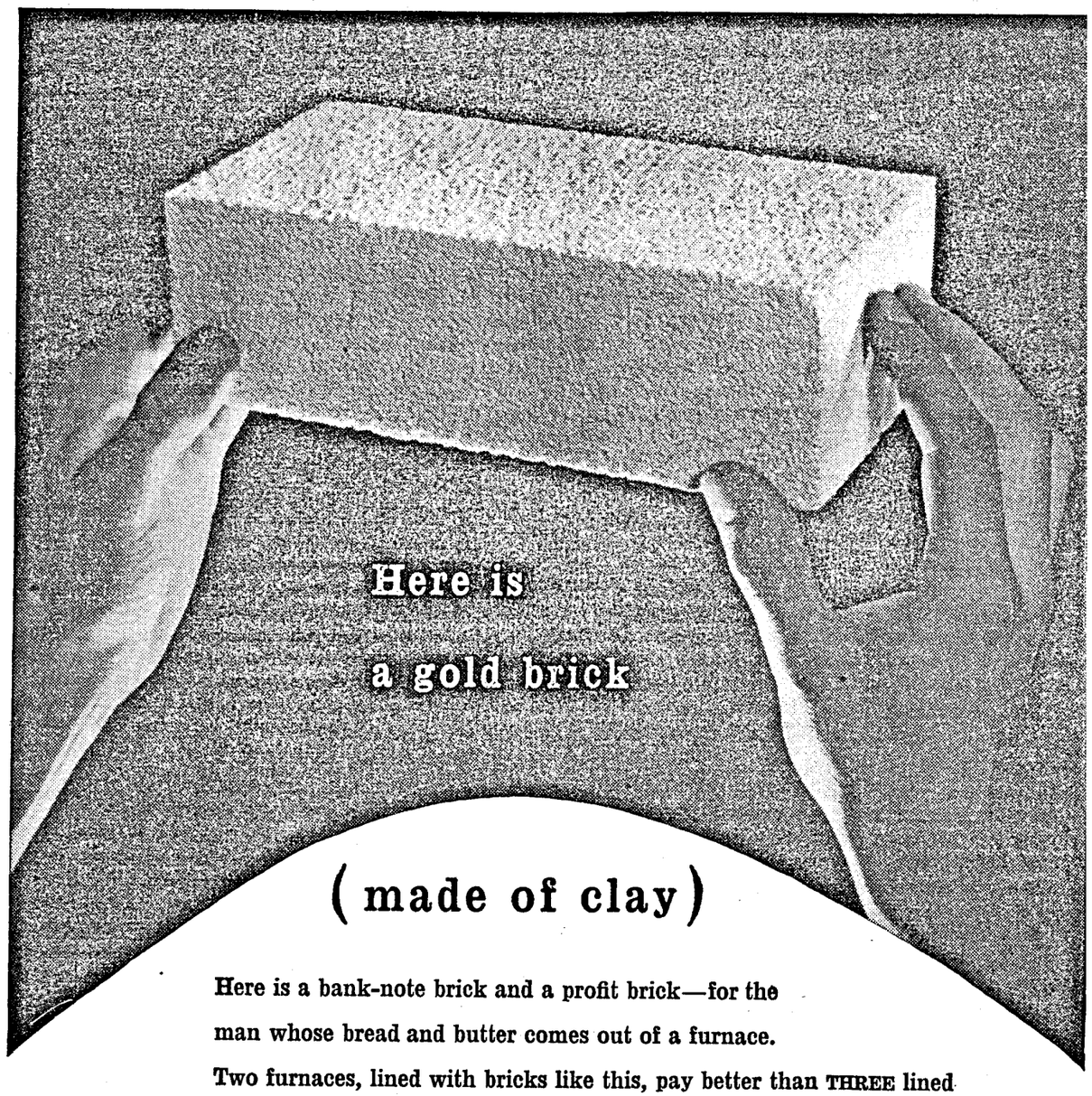
THE report of the Indian Government's investigation into the disaster that overtook a British Overseas Airways Corporation Comet airliner on a flight from Calcutta to Delhi last month has been published with commendable speed. It attributes the accident to the thunderstorm into which the aircraft flew as it left Calcutta airport, but leaves unanswered the major question whether this type of aircraft was more vulnerable than any other to such weather conditions. The investigators admit that with the facilities at their disposal they could not determine the sequence of events with any precision. The aircraft broke up while it was still in the air (earlier reports of the evidence showed that the engines were still running when the main part of the fuselage hit the ground) and the break-up was caused either by the severe turbulence of the thunderstorm or by the effect of the storm on the Comet's handling under controls. The report records that the controls were set as they would have been for normal flight, and that no radio alarm was sent out nor had any emergency precautions, manual or automatic, come into operation; all these points suggest that the destruction of the aircraft took place with great rapidity.

This much could be learned by examining the wreckage on the ground, but the only way of determining precisely what happened, and where and how the structure failed in a storm that local observers described as "unusually violent" would entail, the report suggests, detailed examination of the wreckage in this country. This will be done at the Royal Aircraft Establishment, where some of the parts have already arrived. It is generally believed that enough wreckage can be found to present a reliable picture, so a second more detailed report on the accident may be published. This should resolve the question whether there was any structural weakness in the aircraft, or whether it met with forces in the highly localised vortex of the storm of a kind that no aircraft is stressed to withstand, any more than buildings can survive in the path of a hurricane.

In an appendix to the report, one of the investigators puts forward an ingenious hypothesis—which the report firmly describes as a hypothesis only, without supporting evidence—suggesting that the handling of the Comet under power-operated controls had placed it at the mercy of the storm. He then suggests that these controls should be modified to give the pilot some of the "feel" characteristic of manually operated controls. Neither BOAC nor de Havilland appear to think this a profitable line to follow, in view of experience in flying other Comets through storms, and attention is being concentrated on perfecting a form of radar storm warning which will tell the pilot when he is approaching conditions that are downright dangerous. The Comet, built to withstand the pressures of high speeds, is in many ways structurally stronger than slower aircraft; even if further investigation proves beyond doubt that it was a victim of circumstance, future travellers may yet benefit from the lessons learned at Calcutta at such tragically high cost.

Rayon Dividends with a Flourish

THE maintained equity dividend from Courtaulds and the higher dividend from British Celanese owe as much to the remarkable recovery in the rayon trade in the last few months as to the actual profits earned by these two companies in their financial periods to March 31st last. In the year to this date Courtaulds' consolidated gross profits slumped from £19 million to £10½ million and its net profits from £8.5 million to £5.2 million. In the nine months to the same date British Celanese (which has changed its accounting date, to coincide with the fiscal year) earned a net consolidated profit before taxation of £1,841,346; recalculated on an annual basis this profit would be £90,000 lower than the net profit of £2,546,233



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Two furnaces, lined with bricks like this, pay better than THREE lined with standard refractories, because they cool quicker and reload quicker.
This is no place to go into wearisome technicalities.
Just make a note of the M.I.28 (one of the new Morgan Refractories) . . . and consult your Maintenance Engineer . . . and tell your Accountant that

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N.E. 28

The Morgan Crucible Company Ltd. (Refractories Group), Neston, Wirral, Cheshire. (Tel : Neston 1406)

(after writing about £900,000 off stocks) earned in the year to June 30, 1952, and it is barely a third of the profit of nearly £7.3 million earned in 1950-51—the period of inflation and automatic gains upon stocks. In spite of the decline of 45 per cent in gross profits the directors of Courtaulds had no qualms in maintaining the ordinary dividend at 11¼ per cent (so that at the current price of 39s. 6d. xd. the £1 ordinary stock units offer a yield of 5¾ per cent) ; and the directors of British Celanese have decided in effect to increase the distribution on equity capital by declaring a dividend for the nine months of 12 per cent. This dividend is equivalent to 16 per cent for a full year and compares with the payment of a 11 per cent dividend in 1951-52 ; on the assumption of a full year's dividend of 16 per cent British Celanese 10s. ordinary stock units offer a yield of 6½ per cent at the current price of 24s. 6d. xd.

By detailing the course of the recovery in the rayon trade in the last few months, the directors of both these companies implicitly justify these dividend payments. The directors of Courtaulds report that the recovery in domestic sales of rayon goods began in October, and that "activity was at a high level in the home market" in the first quarter of this calendar year. They add, however, that "conditions in export markets, though improved, are still difficult," and they are obviously worried about the level of their prices in these markets. There seems to be less worry about the course of trade in the board room of British Celanese, but this company did not receive so hard a knock as did Courtaulds last year, for it is far less concerned with the production of rayon staple fibre. The directors heave a sigh of satisfaction rather than of relief about the improvement in trade in the last six months of the financial year (when almost all the group's profits were earned) ; they report that turnover in the first quarter of 1953 was considerably higher than in the corresponding quarter of 1952 and that since the end of the financial year earnings have improved still more. There is, in short, a flourish of hope as well as of expectation in the trade's current advertisement slogan that "This is rayon year." But it remains to be seen whether the hope can be completely fulfilled until the price of viscose rayon yarn at home has been adjusted to the fall in the price of the industry's basic raw materials.

Trade Gap Grows

PRELIMINARY trade figures for May show, as in April, an increase in imports, little buoyancy in total exports, but a continued high level of exports to North America. Hence the May figures also reveal a further slight widening of the trade "gap." The cif value of imports during May is provisionally estimated at £296.4 million, or approximately £3 million more than in April and £24 million more than the monthly average of imports for the first quarter of this year. Total exports for May, valued fob, are estimated at £218.9 million, being approximately £5 million less than for April and almost unchanged compared with the monthly average in the first quarter of the year. Figures for May are for 25 working days, those for April for 24 working days, and both months were affected by holidays. The excess of imports valued cif over total exports valued fob for May is £77.5 million, or £8 million more than in April and £23.6 million greater than for the average over the first quarter of the year.

Exports to North America amounted to £28.2 million, £1.6 million less than for April, but £4.1 million better than the monthly average for the first three months of the year and £5.3 million better than the monthly average for the whole of 1952. As in April, exports to Canada in May, at £14.8 million, were slightly higher than exports to the USA at £13.4 million.

Blame for the *Princess Victoria*

THE motor vessel *Princess Victoria,* which sank in the Irish Sea on January 31st with the loss of 133 lives, was unseaworthy, and "the loss of life in the disaster was caused or contributed to by the default of the owners and managers"—the British Transport Commission. Full copies of the 30,000-word report by the Ministry of Transport court of inquiry issued in Belfast last week have still to be studied in London. But this main finding of the court is measured, categorical and shocking.

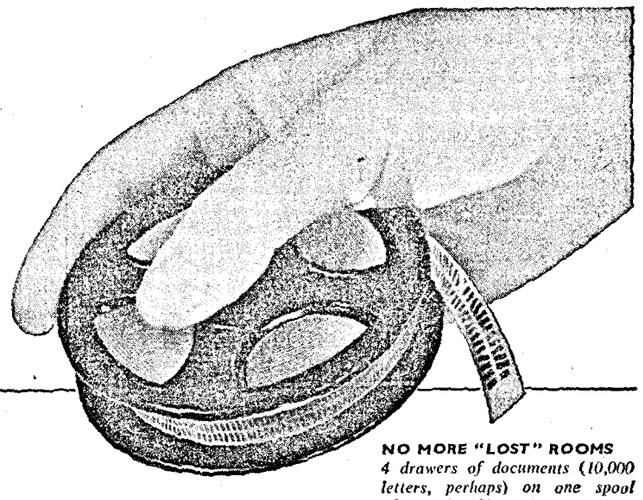
The court found that the vessel was not seaworthy because the stern door to the car space on the freeboard deck, and the water-clearing arrangements on that deck were inadequate. An incident causing damage to the stern doors in November, 1951, had not been reported (as is required by the Merchant Shipping Act), and precautionary steps had not been taken following this damage. It appeared, according to the court, that it was beyond the comprehension of the designers, owners and managers of the *Princess Victoria* that sea water could ever be shipped aft in appreciable quantities. Yet there is no evidence that the following sea that broke open the stern doors was an exceptional one: "if the owners and managers of the ship had given the matter careful consideration they would have known that sooner or later seas would have been encountered which would subject those doors to severe trial."

The court spoke of "the evils of remote control" in this case. When the master of the ship required advice or assistance from a higher authority it was necessary for him to telephone his head office at Euston, 400 miles away. One of the managers of the ship told the court that there was no one in the whole organisation whose sole duty it was to look after the well-being of the structure of the ships. Suggestions were made in 1949 and again in August, 1952, to the ship's managers by its officers that larger scuppers were required to clear the possible flooding of the car deck ; but no action was taken. No extra scuppers were installed, and the owners and managers were content with repaired doors ; after the 1951 incident, indeed, the ship was allowed to make three passages with the stern doors in a damaged condition. "There are, 'the court observes,' no exculpatory circumstances disclosed in the evidence."

Tin Truce Talks Open

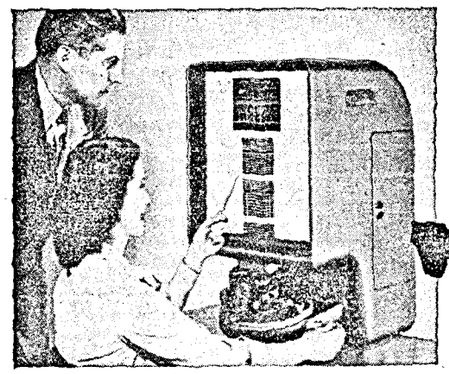
REPRESENTATIVES of tin producing and consuming countries who compose the Tin Study Group Working Party now assembled in Brussels were thrown into opposing

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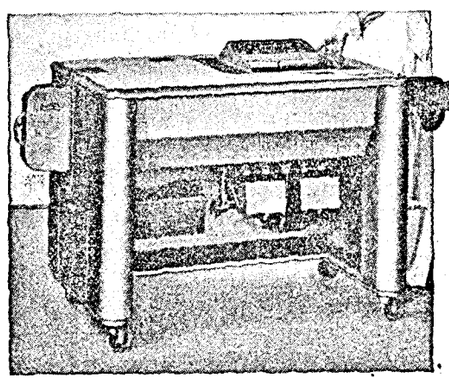
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camps when war in Korea in 1950 upset the commodity markets. In the new international political atmosphere, they may feel more disposed towards agreement on long term marketing arrangements—if it is to be a more settled world. At the International Tin Study Group meeting in London last March the Americans agreed to participate in the working party—in itself a sign of co-operation. The meeting in Brussels will re-examine the proposals that failed to win acceptance at the United Nations Tin Conference in Paris in 1950—proposals which included the formation of a tin council representing both producers and consumers and the creation of a buffer stock.

The continuing excess of production of tin over consumption is the main reason that is prompting producers to seek an international agreement, and they are particularly fearful of what may happen when stockpiling comes to an end. A year ago, the London cash price for tin was around £975 a ton. When the study group met in March the price had already fallen to £930, and it is now about £677 a ton. Commodity agreements, according to the now fashionable conception, should not aim at a rigid stabilisation of prices, but rather at preventing sudden and drastic price movements. If this is to be the guiding principle in tin, the nearer its price appears to approach rock bottom, the more receptive should the consumer countries in Brussels be to join proposals for an international agreement. If so, there may be work for a new United Nations Tin Conference in the autumn.

Lower Kaffir Dividends

THIS summer's array of Kaffir dividends—including for the first time a uranium dividend—were roughly in line with recent forecasts in the market. In general, as the table at the bottom of this page shows, they were lower than those paid last December; in the last six months Kaffir profits have inevitably been squeezed between the decline in revenue from premium gold sales and the rise in operating costs associated with the shortages of native labour and of electric power. Since some of the mines will ultimately hope to make good this loss in revenue from the sale of uranium, the market was particularly pleased to welcome the first uranium dividend—from West Rand Consolidated. This company raised its dividend from 1s. 6d. to 1s. 9d. on each 10s. share, despite the fact that its earnings from gold-mining in the last six months must have been falling; the extra 3d. on the half year's dividend accords fairly well with the director's previous estimate that the annual net profits from uranium should be at least equivalent to between 9d. and 1s. on each share.

Investors were also well pleased with the maiden dividend (of 6d. on each 10s. share) from West Driefontein, particularly in view of the chairman's warning last November that it might not be possible to declare a dividend in the current year owing to the heavy cost of the company's development programme; this early dividend must reflect a rapid increase in profits from a mine that produces the highest grade ore on the Rand. There were, of course, some nasty shocks as well as pleasant surprises in the dividend list. The market was especially disappointed with the reductions in the dividends of City Deep and Vlakfontein as well as with the absence from the list of payments of Rose Deep, an old mine where there is little hope that the grade of milled ore can be raised.

KAFFIR DIVIDENDS

	Dec. 1951	June, 1952	Dec., 1952	June, 1953		Dec., 1951	June, 1952	Dec., 1952	June, 1953
Anglo-American :—	s. d.	s. d.	s. d.	s. d.	*Union Corporation :—*	s. d.	s. d.	s. d.	s. d.
Brakpan 5s.	1 1½	0 7½	0 9	0 6	East Geduld 4s.	2 3	2 0	2 1	1 9
Daggafontein 5s.	3 0	3 0	3 0	3 0	Geduld Prop. £1	7 6	6 3	6 3	5 9
East Daggafontein 10s.	1 4½	1 1½	1 0	0 9	Grootvlei Prop. 5s.	1 6	1 3	1 3	1 2
South African Land 3s. 6d.	2 3	1 9	1 9	1 3	Marievale Cons. 10s.	1 0	0 10	0 10	0 10
Springs 5s.	0 4½	0 3	0 3	0 1½	*General Mining :—*				
Western Reefs 5s.	1 3	1 3	1 3	1 3	South Roodepoort 10s.	*0 9*	*0 9*	*0 9*	0 9
Central Mining-Rand Mines:					West Rand Cons. 10s.	1 6	1 6	1 6	1 9
Blyvooruitzicht 2s. 6d.	1 4	1 6	1 6	1 4	*Consolidated Gold Fields:—*				
City Deep £1	2 6	1 6	1 0	0 6	Libanon 10s.	0 3	0 3	0 3	0 3
Cons. Main Reef £1	3 6	2 9	2 3	1 9	Luipaards Vlei 2s.	0 8	0 7	0 7½	0 7½
Crown Mines 10s.	4 6	2 6	2 6	2 6	Rietfontein 5s.	1 6	1 3	1 4½	1 3
Durban Deep 10s.	2 6	2 6	2 0	1 9	Robinson Deep 7s. 6d.	1 0	0 6	0 9	0 9
East Rand Prop. 10s.	2 6	2 6	2 6	1 9	Simmer & Jack 2s. 6d.	*0 4*	*0 3*	*0 4*	0 4
Modderfontein East £1	2 6	2 0	1 6	1 6	Sub Nigel 10s.	4 9	4 0	4 0	4 0
Rose Deep £1	2 6	1 9	1 3	...	Venterpost 10s.	0 8	0 6	0 5	0 5
Rand Mines 5s.	3 6	3 0	3 0	3 0	Vlakfontein 10s.	0 10	0 8	0 8	0 6½
Transvaal Gold £1	0 3	0 9	0 9	0 6	Vogelstruisbult 10s.	1 0	1 0	1 0	1 1¼
					W. Driefontein 10s.	...	...	...	0 6

Sales after the Budget

THE effect of this year's budget on retail sales has been slight; only a small proportion of the goods that go to make up the monthly returns now attract a large burden of tax, so there was little inducement to delay purchases before the budget in the hope of considerable concessions. The general level of retail sales therefore shows no special change between April and May. Sales of food did not move at all, the index staying at 132 (1950=100), ten points above its level in April, 1952. Sales of all other types of goods showed a slight variation according to the type of shop, the only noticeable movement being in the sales of goods other than food by the co-operatives, which dropped from 106 in March to 100. But in no case did any of the shops record a substantial difference between the value of their sales this April and the level twelve months before. The value of stocks was 7 per cent lower than in April, 1952, the same difference that was reported in March.

. Sales in fact followed an established seasonal pattern ; and the only major departure from it was in returns for the type of goods grouped together in the hardware, radio and electrical class. While saucepans and cookers are tax free, the majority of other household capital goods attracted tax before the budget at the rate of 66⅔ per cent, which made an appreciable addition to their already substantial selling price. It is these categories that feel the most heavily any tendency to postpone purchases of highly taxed goods until after the budget. The budget cut the rate of tax on these goods to 50 per cent, and sales rose in response. The increase recorded between March and April, from 109 to 112 for big shops, does not at first sight appear very significant, but the index is 21 points above the level for April, 1952. Most of this improvement in trade seems to have gone to the department stores ; the independent shops reported a drop of two points in their hardware sales which, at 105, are only two points higher than in April, 1952. These independent shops are the only ones to send in separate returns for radio and electrical goods, and while their April sales, at 133, are 3 points lower than those for March, and 26 points lower than in February, they are 28 points higher than in April, 1952. The combined value of radio and television receivers sold by the manufacturers to retailers has risen from £5 million in March to £8 million in April, compared with little more than half that sum in April, 1952. This suggests that the full post-budget recovery in radio and television sales may not be felt until May. Whether such heavily taxed items as refrigerators, fires and washing machines have shared in this recovery seems more doubtful. Sales of " motor and cycle accessories, cycles, petrol, etc.," reached a figure of 142 in April, 13 points higher than the year before.

Cotton Imports as Before

THE report of the Cotton Import (Review) Committee, the second cotton committee over which Sir Richard Hopkins has presided, was published this week. Its main conclusions, unanimous notwithstanding the various industrial interests represented, including the trade unions, are that the present method of importing raw cotton into this country, with minor modifications, must continue for another twelve-month season. Over that period the Raw Cotton Commission should continue to provide cover for all importers and users of cotton to be consumed in this country, though the merchanting and cover accounts of the Commission should be separated. But, finally, the committee finds that " it is intrinsically undesirable that cover for private trade should be provided at the risk of public funds, and that the time has now come for this issue to be faced."

Like the earlier Cotton Import Committee in 1952, the committee had to examine import arrangements in the light of the foreign exchange position. It welcomes the fact that raw cotton from all non-dollar sources can now be imported without restriction, but admits the necessity that dollar cotton for some time to come will be subject to foreign exchange limitation. The committee recommends that importers shall again—for a second year—be free to choose whether to import privately or through the Raw Cotton Commission. At present about 30 per cent of imports are on private account, but if the percentage were to increase considerably the Raw Cotton Commission might not find it easy to continue its functions, and in that case the committee recommends that those who " contract in " to buy through the Commission should have a second choice to " contract out " completely or partly in respect of any type of cotton. Contractors-in could not ask for fairer treatment.

The committee regards cover arrangements as necessary for the cotton industry, but does not think there is time enough between now and the opening of the next buying season in September to reconstitute a cotton futures market. It therefore proposes that for the next season the Cotton Commission should continue to give cover equally for importers using its facilities or buying privately, provided there is an insurable interest and that the cotton covered is for consumption within this country. Certain proposals are made for improving the cover system, and for protecting the Commission. Various methods of private cover were brought to the notice of the committee which recommends that they should be examined with a view to finding an alternative to cover from public funds within the next twelve months.

Disposing of Government Zinc

TALKS have now begun between the Ministry of Materials and the trade to arrange the second round of the orderly disposal of the Government's stocks of zinc. Before private trading in zinc was resumed at the beginning of this year, the Ministry disclosed that Government stocks amounted to 135,000 tons and that 24,000 tons would be sold back to United Kingdom and other Commonwealth producers of the metal ; it also announced a scheme for selling Government zinc through the London Metal Market at a rate of not more than 4,000 tons in any one month.

These arrangements were to be examined after six months. They have worked smoothly and the Ministry states that after placing an undisclosed amount of zinc to strategic reserves it will have 70,000 tons remaining for sale. World production is now running at the rate of about 2 million tons a year and the gradual disposal of 70,000 tons should not disturb the market. Disposal could continue as at present, at a rate of not more than 4,000 tons a month, through the London Metal Market ; but the Government, aware that the London market and European demand are at present sluggish, would no doubt welcome suggestions from the trade for disposing of some qualities of the metal through other channels and at better prices. This may not be easy to contrive.

SHORTER NOTE

The word " sound " was omitted from a statement on page 753 in *The Economist* last week that the BBC spends probably a fifth of its licence revenue on television services. In 1951-52, the last year for which figures are available, the BBC had a net revenue of £13 million after deducting 7½ per cent of the gross licence revenue to cover Post Office expenses. The number of licences current at the end of April suggests that the present figure may be nearer £14 million, but 15 per cent of this is taken by the government. This leaves the BBC with a probable net income of £3.5 million from television licences and £8.4 million from sound radio licences. About a fifth of this latter sum, it is believed, is spent on the television programmes in addition to the revenue from television licences themselves.

BRITISH CELANESE LIMITED

Owing to the change of Accounting date to the end of March, the Accounts cover a period of nine months only and the Directors have, therefore, decided not to pay an interim dividend on the Ordinary Stock on this occasion. The Report and Accounts for the nine months ended 28th March, 1953, contain the Directors' recommendation for the payment on 25th July, 1953, of the following dividends to Stockholders registered at the close of business on 17th June, 1953 :—

A Participation dividend of 2½% actual (less Income Tax) on 7½% Participating Second Cumulative Preference Stock in respect of the year ending 30th April, 1953, and

A First and Final dividend of 12% actual (less Income Tax) on Ordinary Stock in respect of the nine months ended 28th March, 1953.

The proposed dividend on the Ordinary Stock is equivalent to a rate of 16% for a full year.

The following details are extracted from the Report of the Directors and audited Accounts for the nine months ended 28th March, 1953, which will be posted to Stockholders on or about 23rd June, 1953.

ABRIDGED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 28th MARCH, 1953.

Year Ended 28th June, 1952			NINE MONTHS	
£	£		£	£
	2,546,233	Consolidated Net Profit for the *nine months* before Taxation (*previous year was after special stock write-down of approximately £900,000, mainly on raw materials*)		1,841,346
		Deduct :		
		United Kingdom Taxation thereon—		
497,738		Profits Tax	228,118	
877,019		Income Tax	815,076	
1,374,757			1,043,194	
237,854		Transfer to *Taxation Equalisation Account*	53,300	
	1,612,611			1,096,494
	933,622	Net Profit for the nine months after Taxation		744,852
		Deduct :		
	+ 39,576	Balance retained in the Accounts of Subsidiary Companies		511
	973,198	Net Profit for the nine months dealt with in the Accounts of British Celanese Limited		744,341
649,455		Balance brought forward at 28th June, 1952	723,357	
		Deduct :		
—		Fixed Dividends on Preference Stocks and Interest on Funding Certificates (less Income Tax) in respect of the two months ended 28th June, 1952	£51,003	
—		Applied during the *nine months* ended 28th March, 1953, in the purchase of Funding Certificates in addition to obligatory requirements	34,730	
			85,733	
			637,624	
		Add :		
—		*Sums set aside in previous years and no longer required (of which £650,000, in respect* of Taxation, arises from the change of accounting date)	804,689	
—		*Less :* To be applied *therefrom* in the purchase or redemption of Funding Certificates	160,938	
			643,751	
	649,455			1,281,375
	1,622,653			2,025,716
		Deduct :		
314,025		Fixed Dividends on Preference Stocks and Interest on Funding Certificates (less Income Tax) in respect of the nine months ended 28th March, 1953	235,212	
131,125		Amount to be applied out of the profits of the period in the purchase or redemption of Funding Certificates	75,285	
		Dividends Recommended—		
55,781		Participation Dividend (less Income Tax) on Second Preference Stock	58,437	
** 298,365*		First and Final Dividend (less Income Tax) on Ordinary Stock	248,112	
	799,296			617,046
	823,357			1,408,670
		Deduct :		
		Transfer to—		
100,000		Reserve towards increased cost of replacement of Property and Plant	300,000	
—		General Reserve	400,000	
	100,000			700,000
		Balances carried forward at 28th March, 1953—		
	723,357	British Celanese Limited		708,670
	7,769	Subsidiary Companies (including £49,842 in respect of sums set aside for Taxation in previous years and no longer required owing to the change of Accounting date)		58,122
	£731,126	Balance carried forward at 28th March, 1953, in Consolidated Balance Sheet		£766,792

** Includes dividend £81,267 paid on £2,211,333/10s. Stock in compensation for restricted dividend in previous year.*

Turnover for the six months to 31st December, 1952, was substantially lower than that for the corresponding period of the previous year. Turnover for January to March, 1953, however, was considerably in excess of that for the corresponding three months of the previous year and the monthly average was much higher than that for the six months ended 31st December, 1952, reflecting the improvement in trading conditions to which the Chairman referred at the last Annual General Meeting.

As intimated by the Chairman at the last Annual General Meeting only a small profit was made in the first three months of the period now under review. Earnings improved progressively during the last six months of the period and, therefore, practically the whole of the consolidated net profit of £1,841,346 before taxation was earned during these last six months. Earnings have further improved in respect of the period which has elapsed since 28th March, 1953.

Profits earned after 28th March, 1953, will be relieved of any charge in respect of redemption of Funding Certificates as full provision at that date has been made for the redemption of the balance of Certificates then outstanding.

LONDON, W.1. *12th June*, 1953.

Company Notes

FINE SPINNERS AND DOUBLERS. At the end of last December, when the interim ordinary dividend of Fine Spinners and Doublers was reduced from 5 to 2½ per cent, the directors referred to the "dire effects of particularly adverse trading conditions." Just how dire these effects were is now revealed in some detail in the company's preliminary profits statement for the year to March 31st last. The group's gross income fell by nearly two-thirds—from £4,387,337 to £1,586,318—and it is quite clear from this statement that the slight improvement in trade towards the end of the calendar year (to which the directors referred in their interim report) has failed to heal the scars of the earlier recession. The parent company's profits slumped from £3,572,069 to £1,053,074, and the company's subsidiaries certainly fared no better; their profits are returned at £533,244, compared with £815,268 in 1951-52, but these profits are shown after the transfer of £458,508 (compared with a mere £19,417 in 1951-52) from reserves provided for stock depreciation.

These reductions in gross profits have, of course, been offset to some extent by a fall in the provision for taxation—from £2,274,567 to £407,414. Even so, net profits at £337,094 are not much more than a quarter of the net profits of £1,205,058 that were available for appropriation at the end of March, 1952. In these circumstances it comes as something of a surprise (though, for shareholders, a pleasant one) that the directors have decided to recommend the same final equity dividend of 7½ per cent. This means that the full year's distribution has been reduced only from 12½ per cent to 10 per cent. But the payment of over £300,000 in equity dividends has meant that nothing could be ploughed back into the business; in fact, the consolidated carry forward has been reduced by nearly £69,000, compared with an addition to

	Years to March 31, 1952	1953
Consolidated earnings :—	£	£
Gross profit	4,387,337	1,586,318
Depreciation	823,987	794,575
Taxation	2,274,567	407,414
Net profit	*1,205,058*	*337,094*
Ordinary dividends	366,842	303,955
Ordinary dividends (per cent)	12½	10
General reserve	700,000	...
Added to group carry forward	48,092	*Dr68,960*
£1 ordinary stock at 17s. 9d. xd yields £11 5s. per cent.		

this carry forward of £48,000 and an appropriation of £700,000 to a general reserve in 1951-52. Although the company's trade should now be improving, it remains to be seen whether the directors will consider it their duty to reinforce these reserves again before restoring the equity dividend to 12½ per cent.

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ENGLISH SEWING COTTON. Last year was just as gloomy and testing a time for English Sewing Cotton as it was for Fine Spinners, but its shareholders have escaped with the same dividend as before. The preliminary profits statement for the calendar year 1952 shows that the group's revenue was virtually whittled away last year—from £1,474,658 in 1951 to a mere £65,177; this profit is returned after including the receipt of £213,093 (compared with £314,050 in 1951) from the American Thread Company, but also after providing £564,215 (compared with £132,109) against the fall in stock values. The recession in trade and the collapse in profits has not been confined to this country for the net earnings of the American Thread Company are shown to have fallen from $2,253,049 to $92,137.

At home, the English Sewing Cotton Company has not had to pay any taxes (compared with a provision of £749,582 in 1951) and, in fact, £11,771 has been written back into the profit and loss account as "United Kingdom taxation recoverable." The parent company's share of the group's revenue is shown to be £34,005 (against £624,001) and once net dividends from subsidiary companies of £49,267 (against £46,090) have been included the total revenue of the parent company is returned at £83,272, compared with £670,091 in the previous year. In addition, £250,000 is written back from the stock reserve (against an appropriation of £500,000 to this reserve in 1951), but effectively the directors have merely transferred this sum to a general reserve by making an appropriation of exactly the same amount—£250,000—from the company's net income.

The decision to pay out £135,000 in maintaining the dividend of 12½ per cent to equity shareholders has therefore been made possible only by reducing the carry forward from £189,645 to £95,502. On the assumption—and, as trade is improving, it seems a fairly safe assumption—that the dividend of 12½ per cent will be repeated again this year, the yield on the £1 ordinary stock units at the current price of 38s. 6d. xd is 6½ per cent.

★

NCHANGA. The benefits that have accrued to shareholders from the migration of the copper companies to Rhodesia are made very apparent in the preliminary report of Nchanga for the year to March 31st. This company, which is effectively controlled by the Anglo-American Corporation (Rhokana holds £2,355,000 and Rhodesian Anglo-American £1,490,581 of its equity capital of £7 million), has again raised its ordinary dividend—this time from 50 to 75 per cent. The company's normal gross profits have risen from £8.8 million to £14.0 million; taxation (although £1.6 million higher than a year before) has taken only £5.3 million of this and net profits have risen by £2.5 million to £8.7 million. If these profits had had to bear British taxation the company, in view of its heavy development programme, would probably have had to have kept dividends on a tighter rein than this.

As it is, the increase in net profits has enabled the directors not only to step up dividend payments from £3,500,000 to

	Years to March 31, 1952	1953
Earnings :—	£	£
Normal profit	8,782,246	14,042,101
Exceptional profit	1,200,000	...
Total profit, before tax	9,982,246	14,042,101
Taxation	3,726,646	5,293,576
Net profit	*6,255,600*	*8,748,525*
Ordinary dividends	50	75
General reserve	2,000,000	3,100,000
Sales equalisation reserve	750,000	...
Added to carry forward	5,600	398,525
£1 ordinary stock at 122s. 6d. yields £12 5s. per cent.		

£5,250,000 but also to raise total profit appropriations from £2,750,000 to £3,100,000. The whole of this sum has been appropriated to a general reserve; in 1951-52, £2 million was transferred to this reserve and £750,000 to a sales equalisation reserve. The directors add that the appropriation to the general reserve provides a further instalment of the finance needed to meet the capital expenditure programme that is now being carried out. So far, the need to finance this programme has not prevented dividends from rising, but if the freeing of the copper market in Britain is followed by a new fall in copper prices, it is a factor that will have to be kept closely in-mind.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, June 10, 1953	Price, June 17, 1953	Net Yield, June 17, 1953	Gross Yield, June 17, 1953
			£ s. d.	£ s. d.
War Bonds 2½% '52-54	99⅛	99⅛	0 19 6	2 11 8†
Exchequer 2½% 1955	99⅛	99⅛	1 7 10	2 12 5
Exchequer 3% 1960	101⅛	100⅞	1 12 2	3 0 5
Ser. Funding 1½% '53	99⅛	99⅛	1 10 8	2 10 2
Ser. Funding 1½% '54	98⅛	98⅛	1 13 5	2 10 4
Ser. Funding 3% '55	100⅛	100⅛	1 5 5	2 13 5
War Bonds 2½% '54-56	99⅛	99⅛	1 6 8	2 11 8†
Funding 2½% '52-57	100⅛	100	1 10 2	2 15 0†
Nat. Def. 3% '54-58	100⅛*	100⅛*	1 9 11	2 16 5†
War Loan 3½% '55-59	101¼	101⅛	1 10 0	2 17 8†
Savings 3% '55-65	96⅛	95⅛	2 1 11	3 10 8†
Funding 2½% '56-61	97⅛	97⅛	1 16 1	2 19 7†
Funding 3% '59-69	90⅛	90⅛	2 7 10	3 16 11†
Funding 3% '66-68	93⅛	93⅛	2 4 10	3 14 1†
Funding 4% '60-90	100¼	100¼	2 4 6	4 1 4†
Savings 3% '60-70	89⅛	89⅛	2 4 2	4 0 5†
Savings 2½% '64-67	88⅛	88⅛	2 8 6	3 18 1†
Victory 4% '20-76	101⅛	101⅛	2 7 4	3 11 9†
Savings 3% '65-75	87⅛	86⅞	2 2 3	3 19 0†
Consols 4% (aft. 1957)	92⅛	92⅛	2 9 1	3 19 4†
Convs. 3½% (aft. 1961)	82⅛	82⅛	2 8 2	4 8 3†
Treas. 2½% (aft. 1975)	61⅛	60⅝	2 7 0	4 5 9†
Treas. 3% (aft. 1966)	71⅛	71⅛	2 5 3	4 3 8†
Treas. 3½% '77-80	9 ⅛*	90⅛	2 5 3	4 4 4†
Redemption 3% '86-96	8 ⅛	80⅛	2 7 10	4 1 5†
War Loan 3½% aft. 1952	82⅛	81⅛	2 7 5	3 19 2†
Consols 2½%	61¼	61⅛	2 7 1	4 5 9†
Br. Elec. 3% '68-73	88⅛	87⅛	2 4 11	4 1 8†
Br. Elec. 3% '74-77	86⅛	86⅛	2 9 3	3 19 0†
Br. Elec. 4½% '74-79	101⅛	100⅞	2 8 8	3 18 9†
Br. Elec. 4½% 'A' '74-79	100⅞	100⅛	2 6 4	4 5 1†
Br. Elec. 3½% '76-79	92⅛	91⅞	2 6 5	4 4 8†
Br. Trans. 3% '78-88	81⅛*	80⅞*	2 7 0	4 4 9†
Br. Trans. 3% '68-73	88⅛	87⅛	2 9 5	4 0 5†
Br. Trans. 4% '72-77	97⅞*	97⅛*	2 9 3	3 19 0†
Br. Gas 3% '90-95	81⅛	80⅞	2 6 7	4 3 7†
Br. Gas 3½% '69-71	95⅛	95⅛	2 7 9	3 19 4†
Br. I. & S. 3½% '79-81	92⅛	91⅞	2 5 9	3 19 0†

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price June 10, 1953	Price, June 17, 1953	Yield, June 17, 1953
%		%				£ s. d.
20	*a*	40	*b* Anglo-Am. 10/-	6⅞	5⅞	5 1 1
5	*a*	30	*b* Anglo-Iran. £1	5⅜*	5⅛	5 18 4
7½	*a*	12½	*b* Assoc. Elec. £1	73/9	73/9	5 8 6
7½	*a*	22½	*b* Assoc. P. Cem. £1	111/3*	111/3	5 7 10
33	*b*	10	*a* Bass £1	118/9	117/6*	7 6 5
10	*a*	10	*b* Boots 5/-	20/3	20/3	4 18 9
3	*a*	7	*b* Brad. Dyers £1	26/6	26/6	7 10 11
11c		12	Br. Celanese 10/-	24/6	24/6*	6 10 7s
17½		4	*a* Br. Motor Cp. 5/-	6/3	6/3	8 6 5s
6	*a*	9	*b* Br. Oxygen £1	54/9	54/3	5 10 7
3	*b*	3	*a* Can. Pac. $25	$46½	$46	5 16 6
8	*a*	7½	*b* Coats £1	44/6*	43/-	5 16 3
5	*a*	6½	*b* Courtaulds £1	39/9	39/6*	5 13 11
16	*c*	2½	*a* Cunard £1	36/6	36/8	8 15 4
15	*b*	7½	*a* Distillers 4/-	16/6	16/6	5 9 1
17½	*c*	17½	*c* Dunlop £1	46/3	46/3	7 11 4
15	*c*	15	*c* Ford £1	28/3	27/9	5 8 1s
15	*b*	3½	*a* Gen. Elect. £1	40/7½	40/7½	5 10 9p
5	*a*	10	*b* Guest Keen £1	47/6	46/-	6 10 5
10	*b*	7	*a* Guinness 10/-	28/3	27/6*	6 3 8
4½	*a*	5½	*b* Hawker Sid. £1	38/6	37/6	5 6 8
5	*a*	8	*b* Imp. Chem. £1	43/6	42/6	6 2 4
13½	*a*	11½	*b* Imp. Tobacco £1	52/6	52/6	7 12 5o
$2·6	*c*	$1	*a* Int. Nick. n.p.	$70⅛	$70⅛	6 11 8
17½	*c*	17½	*c* J'burg Con. £1	54/9	53/9	6 10 2
5	*a*	10	*b* Lancs. Cotton £1	41/3	41/3	7 5 6
7½	*a*	10	*b* Lon. Brick £1	62/6	62/6	5 12 0
15	*a*	35	*b* Marks & Sp. A 5/-	53/9	53/6	4 13 6
6½	*a*	11½	*b* Monsanto 5/-	20/6	20/6	4 9 5
5	*a*	14	*b* P. & O. Def. £1	56/-	56/6	7 1 7
17½	*b*	7½	*a* P. Johnson 10/-	30/-	30/-	8 6 8
†100	*c*	†105	*c* Prudentl. 'A' £1	36¼	36¼	5 4 4
175	*b*	50	*a* Rhokana £1	17½	17⅝	12 13 7
5	*a*	10	*b* Rolls Royce £1	61/3*	60/-	5 0 0
†5	*a*	†10	*b* "Shell" Reg. £1	84/4½	82/6	6 12 3
8½	*b*	7½	*a* Tube Invest. £1	56/-	56/-	5 7 2½
20	*b*	2½	*a* Tur. Newall £1	53/-*	51/-	4 18 0m
5	*a*	8½	*b* Unilever £1	48/1½	48/1½	5 12 3
12½	*c*	47½	*c* Union Castle £1	23/6	23/-	6 10 5
5	*a*	5	*b* Union Disc. £1	42/-	42/-	4 15 3
14½	*a*	16½	*b* Uto. Molass. 10/-	28/9	27/9	7 4 7q
7½	*a*	12½	*b* U. Sua Betong £1	35/-	35/-	11 8 7
2½	*a*	12½	*b* Vickers £1	49/-	48/-	6 5 0
15	*a*	40	*b* Woolworth 5/-	54/6	54/-	5 1 10

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*g*) Div. 17½% for 4 months. Yield basis 10½%. (*h*) Yield basis 15%. (*k*) On doubled capital. (*m*) Yield basis 12½%. (*o*) Yield basis 20%. (*p*) Yield basis 11½%. (*q*) Yield basis 20·06% gross. (*r*) Yield basis 7½%. (*t*) 12% paid for 9 months. Yield basis 16%. * Ex div. † Ex rights.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 13, 1953, total ordinary revenue was £42,758,000, against ordinary expenditure of £75,070,000 and issues to sinking funds £810,000. Thus, including sinking fund allocations of £816,980,000 the deficit accrued since April 1, 1953, was £117,975,000 compared with a deficit of £169,533,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54	April 1, 1952 to June 14, 1952	April 1, 1953 to June 13, 1953	Week ended June 14, 1952	Week ended June 13, 1953
	£'000	Receipts into the Exchequer (£ thousand)			
REVENUE					
ORD. REVENUE					
Income Tax	1782,250	218,095	204,633	10,477	9,861
Surtax	127,000	18,800	18,300	1,000	1,400
Death Duties	160,000	32,600	37,900	2,800	3,200
Stamps	52,000	10,800	11,500	1,000	1,000
Profits Tax & EPT	214,000	54,800	33,000	5,600	1,800
Excess Profits Levy	99,500	...	8,850	...	1,300
Special Contribution and other Inland Revenue	1,000	470	280	40	60
Total Inland Rev.	2435,750	335,565	314,463	20,917	18,621
Customs	1044,300	210,813	212,132	19,482	20,316
Excise	680,480	147,914	146,260	4,030	3,845
Total Customs and Excise	1724,780	358,727	358,392	23,512	24,155
Motor Duties	69,000	6,374	7,346	142	105
EPU (Net receipts)	2,685	2,400	4,500	300	*Dr 200*
Broadcast Licences	16,000	1,900	2,200	...	...
Sundry Loans	25,000	2,158	2,015	...	73
Miscell.	95,000	15,874	15,751	1,306	4
Total Ord. Revenue	4368,215	722,998	704,668	46,177	42,758
SELF-BALANCING					
Post Office	224,615	38,700	40,300	2,700	2,900
Income Tax on EPT Refunds	3,300	1,393	1,184	56	45
Total	4596,130	763,091	746,152	48,933	45,703
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	135,837	144,209	6,477	6,170
Payments to N. Ireland	48,000	7,202	7,346	...	...
Other Cons. Funds	10,000	886	790	109	...
Total	673,000	143,325	152,345	6,586	6,170
Supply Services	3586,286	743,825	664,635	79,900	68,900
Total Ord. Expend.	4259,286	887,750	816,980	86,486	75,070
Sinking Funds	...	4,781	5,662	450	810
Total (excl. Self-Balancing Expd.)	4259,286	892,531	822,643	86,936	75,880
SELF-BALANCING					
Post Office	224,615	38,700	40,300	2,700	2,900
Income Tax on EPT Refunds	3,300	1,393	1,184	56	45
Total	4487,201	932,624	864,127	89,692	78,825

After increasing Exchequer balances by £219,471 to £3,196,399, the other operations for the week increased the National Debt by £39,943,862 to £26,240 million.

NET RECEIPTS (£ THOUSAND)

Land Settlement (Facilities) Acts, 1919 and 1921	18
EPU (Fin. Provs.) Act, 1950, s.3	183
	201

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1952	1,100
EPT Refunds	56
Local Authorities Loans Act, 1945, s. 3(1)	3,400
Misc. Fin. Provisions Act, 1946	
War Damage Commission	2,000
Finance Acts, 1946 and 1947: Postwar Credits	248
	6,804

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Treasury Bills	51,216	2½% Def. Bonds	545
Nat. Savings Certs.	200	3% Def. Bonds	1,944
3½% Def. Bonds	1,210	Other debt	
Tax Reserve Certs.	1,734	2½% War Bonds, 51-53	50
		3% Term. Annuities	1,629
		Internal	3,978
		Ways and Means Advances	6,270
	54,360		14,416

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
June 14	2,790·0	1,517·9	273·5	0·3	...	4,581·7
1953						
Mar. 14	2,820·0	1,540·5	275·1	...	...	4,635·6
„ 21	2,810·0	1,569·5	332·2	...	...	4,711·7
„ 31	4,406·6		303·5	3·8	...	4,713·9
April 11	2,880·0	1,585·3	243·7	...	...	4,709·0
„ 18	2,950·0	1,542·3	298·6	...	...	4,791·0
„ 25	2,990·0	1,514·8	288·2	...	...	4,793·0
May 2	3,010·0	1,478·8	256·6	...	...	4,745·4
„ 9	3,050·0	1,462·3	238·6	3·5	...	4,734·4
„ 16	3,050·0	1,484·2	236·0	...	...	4,770·2
„ 23	3,080·0	1,467·5	247·1	...	...	4,794·6
„ 30	3,130·0	1,440·9	255·1	...	...	4,796·0
June 6	3,130·0	1,461·9	244·6	0·7	...	4,837·2
„ 13	3,160·0	1,483·0	239·0	...	...	4,882·0

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment: s.	d.	Allotted at Min. Rate %
1952						
June 13	240·0	310·4	240·0	48	0·36	72
1953						
Mar. 13	250·0	256·4	250·0	47	11·74	57
„ 20	260·0	351·0	260·0	47	11·78	63
„ 27	250·0	334·6	250·0	48	0·20	67
April 2	230·0	322·8	230·0	48	3·93	60
„ 10	250·0	357·6	250·0	48	4·20	62
„ 17	250·0	360·8	250·0	48	3·51	45
„ 24	210·0	330·3	210·0	47	8·04	58
May 1	210·0	351·1	210·0	47	7·37	34
„ 8	240·0	347·4	240·0	47	7·83	56
„ 15	250·0	345·8	250·0	47	8·01	62
„ 22	250·0	343·3	250·0	47	7·94	62
„ 29	260·0	346·9	260·0	47	4·01	70
June 5	270·0	339·3	270·0	47	4·52	74
„ 12	270·0	353·1	270·0	47	4·26	69

On June 12th applications for 91 day bills to be paid from June 15 to June 20, 1953, were accepted dated Monday to Saturday as to about 69 per cent at £99 8s. 2d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £270 million were offered on June 19th. For the week ended June 20th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals 10 weeks ended: June 7, 1952	June 6, 1953	Week ended June 6, 1953
SAVINGS CERTIFICATES			
Receipts	22,800	36,100	3,300
Repayments	29,800	28,300	3,100
Net Savings	*Dr 7,000*	7,800	200
DEFENCE BONDS			
Receipts	7,800	15,205	1,100
Repayments	13,885	17,740	1,210
Net Savings	*Dr 6,085*	*Dr 2,535*	*Dr 110*
PO AND TRUSTEE SAVINGS BANKS			
Receipts	139,774	147,106	15,248
Repayments	151,984	172,207	19,367
Net Savings	*Dr 12,210*	*Dr 25,101*	*Dr 4,119*
Total Net Savings	*Dr 25,295*	*Dr 19,836*	*Dr 4,029*
Interest on certs. repaid	8,090	8,207	899
Interest accrued	24,679	24,652	2,449
Change in total invested	— *8,706*	— *3,391*	— *2,479*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

JUNE 17, 1953

	£		£
NOTES ISSUED:		Govt. Debt	11,015,100
In Circulation	1539,101,631	Other Govt. Securities	1585,764,166
In Banking Department	61,255,192	Other Securities	708,139
		Coin, other than gold	2,512,595
		Amount of Fid. Issue	1600,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1600,356,823		1600,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	356,839,439
Rest	3,553,059	Other Securities	20,751,460
Public Depts.	60,828,435	*Discounts and Advances*	*8,870,592*
*Public Accts.**	*16,363,352*	*Securities*	*13,880,868*
H.M. Treas. Special Acct.	*44,465,273*		
Other Depts.	341,841,581		
Bankers	268,242,882	Notes	61,255,192
Other Accts.	73,598,699	Coin	1,909,165
	420,755,856		420,755,856

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	June 18	June 3	June 10	June 17
ISSUE DEPT.:				
Notes in circulation	1,431·1	1,543·6	1,542·6	1,539·1
Notes in banking department	19·3	56·7	57·7	61·3
Government debt and securities*	1,446·8	1,596·8	1,596·8	1,596·8
Other securities	0·7	0·7	0·7	0·7
Gold and coin	2·9	2·9	2·9	2·9
Value at 248s. per fine oz.	*248.0*	*248.0*	*248.0*	*248.0*
BANKING DEPT.:				
Deposits:				
Public Accounts	10·6	11·8	16·8	16·4
Treas. Special Acct.	13·6	44·4	44·5	44·5
Bankers	275·7	267·1	247·4	268·3
Others	72·5	70·5	71·6	73·5
Total	372·4	393·8	400·3	402·7
Securities:				
Government	289·9	335·0	335·6	336·8
Discounts, etc.	21·2	8·5	8·9	6·9
Other	39·7	11·8	14·1	13·9
Total	330·8	355·3	358·6	357·6
Banking dept. reserve	59·8	58·6	59·6	65·2
	%	%	%	%
"Proportion"	16·0	14·8	14·8	15·6

* Government debt is £11,015,100 (unchanged); £1,585,000 Fiduciary issue raised from £1,550 million to £1,600 million on June 3, 1953.

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

	June 17, 1952	May 19, 1953	June 1, 1953	June 15, 1953
Cereals and meat	197·4	202·7	203·1	203·1
Other foods	188·8	198·5	198·6	205·2
Textiles	225·6	221·6	221·0	220·3
Minerals	379·9	344·4	342·9	341·3
Miscellaneous	190·4	181·5	181·6	181·3
Complete Index	224·8	221·3	221·5	221·5
1913 = 100	*369·4*	*364·4*	*364·7*	*364·7*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 6d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1953	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 11	74·00	85·25	159 2	90 13
„ 12	74·00	85·25	158 7	90 5
„ 13	Markets closed		159 2	89 13
„ 15	74·00	85·25	159 12	90 10
„ 16	74·00	85·25	162 0	92 13
„ 17	74·00	85·25	160 12	92 6

COMPANY MEETINGS

MARKS AND SPENCER, LIMITED

CONTINUED INCREASE IN TURNOVER

IMPROVEMENTS IN MERCHANDISE

MODERNISATION OF STORES

The twenty-seventh annual general meeting of Marks and Spencer, Limited, was held on June 11th at 82, Baker Street, London, W.1.

Sir Simon Marks, DSc (chairman and joint managing director), who presided, said:

Ladies and Gentlemen,—May I take it that in accordance with customary practice the directors' report and the accounts as circulated be taken as read?

PROFIT AND LOSS ACCOUNT

I am glad to report that our profits for the year, after taxation, have amounted to £2,466,000 compared with £2,206,000 for the preceding year.

The sum of £4,275,000 has been provided for taxation compared with £2,790,000 a year ago.

With the amount of £4,506,000 brought forward from last year there is available for distribution £6,972,000.

Your board propose a final dividend of 35 per cent, making 50 per cent, less tax, for the year on the ordinary and "A" ordinary capital, requiring in total the sum of £1,227,000.

After the transfer to the general reserve of £1,500,000 and approval of the dividends and other appropriations recommended, the carry forward to next year will be £4,051,000.

RESERVES

Following the capitalisation of reserves which was made in June of last year, the reserve funds of the company amounted to £8,793,000. With the addition of £1,143,000 from the profits of the year they now amount to £9,936,000.

PROPERTIES AND EQUIPMENT

During the year we continued modernising our stores and rebuilding those destroyed during the war.

Properties stand in the balance sheet at £8,940,000 after capital expenditure of over £500,000 and have been depreciated at the usual rates. This figure is obviously substantially below their present-day value as most of our properties were acquired before 1939. They represent, therefore, a considerable capital reserve. Our rental charges are based on the original cost, and thus our profits benefit accordingly.

Fixtures and equipment stand in the balance sheet at £2,652,000 after providing £569,000 for depreciation—an increase of over £300,000 on last year. This is part of the investment in our programme of modernisation.

SUBSIDIARY COMPANIES

Advances made to our subsidiary companies have fallen from £4,249,000 to £1,990,000.

The stocks of the subsidiary companies form the pipe-line for a large part of the cloth used in our business. They now amount to £1,148,000 compared with £2,915,000 a year ago.

CASH AND SECURITIES

Cash balances and investments in Government securities and in tax reserve certificates amount to £7 million—an increase of £5,500,000.

GENERAL SURVEY

I am pleased to record the continuing progress of the affairs of our company. Our turnover for the past year was £85 million—an increase of 16 per cent over the previous year.

It was the first full year of the operation of the "D" Scheme, which gave us freedom to transform our merchandise values by the creation and utilisation of better and finer quality materials. After a period of thirteen years of control by Government regulation we were in a position, at long last, to exercise our initiative and accumulated experience in presenting our customers with a wide range of well-styled, well-finished, attractive garments at prices they could afford to pay. The expansion of our business reflects the increasing goodwill of our public—an asset which we cherish and greatly value.

It is our aim to satisfy the growing needs of our customers with moderate and lower levels of income for inexpensive goods of quality.

Our customers are quality and style conscious. They understand values, for they are most discerning in their purchases.

MERCHANDISE DEVELOPMENT

There have been some quite remarkable improvements in our goods, which stem directly from the fact that we are now increasingly able to use better, finer, and newly developed materials.

Our merchandise development section concentrates on the development and production of a wide range of suitable woven and knitted materials for our garment manufacturers. Before the war we had found it essential to centralise the purchase of our basic cloths in order to standardise quality and to organise the production of the great volume of grey cloth needed. Satisfactory standards were achieved, but that important activity was halted by the war, when a general decline in quality set in throughout the industry. As soon as conditions permitted, we took up this work again and have already effected considerable improvements in the construction and quality of our basic materials. We have added many new and interesting cloths.

The printing department, which is responsible for the conversion of the grey cloth into the finished fabrics by printing and dyeing, has made much progress. They study and apply new technical processes for colour-fastness, shrink-resisting treatments, and anti-crease finishes, features which add much to the appearance and durability of our fabrics.

The styling and design centre has been built up to deal with the styling of the garments which serve as production models for our manufacturers. They take into account the trends of fashion which are adapted to meet the tastes of our customers. The grading of sizes is an important part of their functions. This has meant a considerable study, over a long period, to determine the range of sizes required to satisfy our public with ready-to-wear apparel.

Qualified scientists, technicians, and stylists deal specifically and systematically with the various tasks I have indicated. They work in conjunction with our executives, selectors, and merchandisers who are responsible for the organisation and progressing of the production of the vast quantities of goods needed for our stores. The success of these activities depends on the team spirit which, I am happy to say, animates the whole of our organisation.

This preparatory work simplifies and facilitates the task of our manufacturers as it enables them to concentrate their efforts on the orderly production of our goods. These special services are much appreciated by our friends as they supplement their own skills, techniques, and experience.

In our food section we have continued to develop specialised lines of quality and value. A growing proportion of our foodstuffs is sold in attractive hygienic packs which conserve freshness and facilitate handling and speed of service. Important ingredients such as fats and sugar are now more freely available. Our suppliers will be able progressively to utilise these basic raw materials at reasonable prices instead of expensive—and not always satisfactory—substitutes which have had to be used hitherto. In co-operation with our friends, we are now engaged in improving our values and in bringing down the selling prices of many items for which there is a wide demand.

TRIBUTE TO MANUFACTURERS

It is interesting to observe that 90 per cent of our goods are sold at less than 30s. per article, and 43 per cent are still sold under 5s., which price before the war constituted our appeal to the public.

So varied a range of inexpensive goods of quality could not have been evolved without the understanding collaboration of our suppliers, with whom we enjoy a partnership of minds and ideals. Just as we have invested large sums in modernising our stores, so have our friends invested considerable monies in new factory buildings, new machinery and new equipment. They have devoted much effort to the training of specialised labour forces, for we attach the greatest importance to the workmanship and finish for which the brand name of "St. Michael" is a guarantee.

Our friends have a deep understanding of the consumer problem and know that it is the public who are the final judges of value. By introducing new techniques and planned and careful production, they enable us to present a wide range of desirable merchandise. Our market is an assured and growing outlet for their goods, and continuity of production for them is as essential as continuity of supplies to us. This harmony of interests is responsible for the success of our joint efforts. We thank them for their most helpful collaboration which we value most highly.

MODERNISATION OF STORES

We had always taken pride in the appearance of our stores and had tried to make them attractive to our customers. We had maintained our properties in first class condition, but the war years forced us to neglect this aspect of our business.

It has been a major task to make up the leeway. As licences to repair and build became available and building materials freer in supply we set out to restore our properties and modernise our stores.

Modernisation means a radical conversion which has given many of our stores a new look and a new character more in keeping with the specialised goods we are selling. We have spent much on equipment and on specially designed display fixtures and counters. We have introduced modern decorative and lighting schemes, for we seek to create a worthy setting for our goods and to give to our customers the convenience of shopping in attractive surroundings. Our customers have so readily responded to these new amenities that we are encouraged to extend this transformation to the rest of our stores.

It is with pleasure that we can report the rebuilding, since the war, of our bombed stores at Bristol, Clacton, Exeter, Plymouth, Southampton, Sheffield and Yarmouth. New stores have been opened at Leeds, Norwich, Sheffield and Swansea. All our latest conceptions and ideas have been incorporated in these buildings, which are an impressive addition to our chain. Important extensions have been made at 36 stores.

Since the end of the war we have invested some £11 million on the whole of this programme, and further substantial sums will have to be appropriated.

In addition, the sum of £1,250,000 has been invested in new sites for future development and in the enfranchisement of some leasehold properties. The whole of the expansion I have outlined has been met from the company's own resources.

TRIBUTE TO THE STAFF

Our staff now exceeds 26,000. I am sure that you will join with me in thanking them for their services during the year. The board is most appreciative of their loyalty and devotion. Our thanks are due to one and all, whether engaged on the administrative side of our business, or brought by their duties into direct contact with our customers.

I have paid tribute to the team spirit which animates all at head office. It animates equally all employed in our stores. The sales staff take pride in the attractive goods they sell, for they know the detailed care which has gone into their manufacture. By their knowledge of the goods, and their courteous and helpful approach to our customers, they add to our good name and the goodwill we enjoy with the public, as so many spontaneous appreciations from all over the country testify.

We are concerned with the education and training of our staff, for the expanding requirements of our business offer many and varied careers, and organised courses are arranged to advance their skills and prepare them for higher positions.

The ambition of so many to make their career in the business, and the increasing length of service of our staff, is a noteworthy feature. The number who have attained a service of twenty-five years grows from year to year. This is the occasion for an appropriate ceremony at head office marking this important event in their lives.

Our welfare department is devoted to the well-being of our staff, and the amenities which it creates are designed to make their working hours pleasant and congenial. After business hours there are social and other activities for those who care to participate in them. All this adds to their sense of belonging to our organisation and creates an *esprit-de-corps* so important to the success of the company.

Our staff are aware that provision is made, through our pension and benevolent funds, for an appropriate pension to be paid to those who, on retirement, have qualified by their record and length of service. The position of our pensioners is reviewed annually, and any special needs which they may have are taken care of by the company. We regard them still as members of the firm, and in their retirement they enjoy many of the amenities which were available to them during their active careers.

It is because of these growing needs that we propose to increase to £100,000 our allocation this year to the benevolent trust.

The report and accounts were unanimously adopted.

UNITED CANNERS

DIFFICULT CONDITIONS AFFECT PROFITS

MR J. B. DRING'S SPEECH

The twenty-first annual general meeting of United Canners, Limited, was held on June 11th at Boston, Lincs.

Mr J. B. Dring, the chairman, in the course of his remarks said:

In the combined accounts the profit before taxation is £170,489, and after reserve for taxation £69,703. The amount brought forward from last year was £72,577, making a total of £142,280. The final dividend of 20 per cent, together with the interim dividend of 10 per cent, making 30 per cent for the year, takes £34,125 and, after placing £35,000 to reserve, there is a balance of £73,156 to be carried forward to next year.

Without taking goodwill into account, combined assets exceed liabilities by more than three times the issued capital of the company. Current assets exceed current liabilities by £275,000. In our balance sheet, freehold land and buildings at £155,000 stand at a figure which is much less than half their current value. Stocks are considerably in excess of stocks held at the end of the previous year, but are conservatively valued and the higher figure is largely due to shipments of imported canned goods held by your company at that time.

SALES WELL MAINTAINED

During the year 1952 sales were well maintained and were within 2 per cent of sales for the year 1951. As compared with the previous year, there was a reduction of £60,000 in the profit made by the group, and, in explanation of that, I wish to say that the conditions of trade for processed peas during the latter half of last year were difficult, and during that period the company and its subsidiaries did not earn as much profit as could reasonably have been anticipated. The board also found it necessary to increase the allocation for advertising expenditure and the increased cost of advertising accounts for nearly half the reduction in profit.

POSITION OF SOUTH AFRICAN BUSINESS

I have referred to stocks of imported canned goods and perhaps at this point I might make some reference to United Enterprises, the South African company which was founded by ourselves on behalf of the shareholders of United Canners. The main business of canners in South Africa as well as in Great Britain is the canning of fresh fruits and vegetables, and for South Africa this means chiefly the canning of apricots, peaches, pears and pineapples.

Since United Enterprises commenced business in South Africa in 1948, we have acted as their selling agents in Great Britain, but we are not permitted to distribute their pack of canned fruits, although packed under the trade mark "Benedict" registered by ourselves in Great Britain. The Ministry of Food buys the whole pack of South African canned fruits and hands over the pack for distribution to a selected list of firms who were in their view importers in 1939, and whom they describe as first-hand distributors. We ourselves were large importers of canned fruits from South Africa and California before the war, but we are not included in the list. But even if we had never imported canned fruits before the war, the extraordinary position would arise that we could not be permitted to distribute fruits packed by United Enterprises because we had not been distributing them nine years before that company was established in 1948. It appears to me that this is not only an injustice but that the Ministry of Food hold themselves up to ridicule.

TRIBUTE TO LATE MR DAWBARN

Before I conclude my remarks I desire to pay a tribute to our late colleague, Mr J. R. Dawbarn, whose unfortunate death by accident last March was a great blow to us. He had co-operated with us in the development of the business of the company since its formation in 1932, and his services had been at all times greatly valued by the board. During the past year he was also acting as joint managing director of the company. It is with great sorrow that we have to record his death at a comparatively early age when we had hoped that the company would have the benefit of his services for many years in the future.

Mr R. C. Scott, who became a director of the company last August, had also been acting as joint managing director and has now been appointed managing director of the company, and in moving the adoption of the report and accounts I shall ask him in seconding the resolution to give you some further report on the current progress of the company during the present year.

MR R. C. SCOTT'S REMARKS

Mr R. C. Scott, the managing director of the company, in seconding the resolution for the adoption of the accounts, said: It is with great regret that the board has had to accept the decision of Mr Dring to resign as managing director of your company, but he continues to act as chairman, and the company will have the benefit of his knowledge and experience of the trade.

We have now very largely overcome the difficulties which arose in connection with the trade towards the end of last year and sales are running at the same level as in 1951. I feel there is no doubt that when the new season starts in the autumn our sales will be well in excess of last year's figures.

RENEWED DEMAND

The advertising campaign referred to in the directors' report has resulted in a renewed demand for your company's products. There have been excellent sales of the South African produce, which increased our stock figures at the end of last year and, in fact, further orders have been placed and shipments received.

I look forward with confidence to further expansion of your company's business, to which the energy and enthusiasm of our staff contributes so greatly. I would like to add that I greatly appreciate that the same loyalty and ready co-operation from the staff has been given to me as was given to Mr Dring.

The report and accounts were unanimously adopted.

THE BUTTERLEY COMPANY, LIMITED

RETURN OF CAPITAL TO ORDINARY SHAREHOLDERS

GROUND FOR REASONABLE OPTIMISM

MR E. FITZWALTER WRIGHT'S REVIEW

The sixty-sixth annual general meeting of The Butterley Company, Limited, was held on June 16th at the registered office of the company, Butterley Iron Works, near Derby.

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

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

The chairman said: Ladies and Gentlemen,—Since I last addressed you we have appointed Mr M. F. M. Wright vice-chairman of the board and deputy managing director. We have done this for two reasons. Firstly in appreciation of the long and outstanding service he has rendered to the company, and secondly, to emphasise the fact that he bears the responsibility of the company's chief executive when I may be absent for any reason. I am sure you will welcome these appointments which give official sanction to a situation which has in fact been recognised in the company for a good many years.

CAPITAL PROPOSALS

When this meeting has been completed, we shall as you know be having extraordinary general meetings to consider, and if thought fit to approve, the scheme put forward by the board for a return of capital to the ordinary shareholders, for the raising of the preference dividend from 4½ per cent to 6 per cent, and for certain alterations in the company's articles of association. I am sorry that even now we cannot complete the matter, and that the return of capital must be regarded as a payment on account of what will eventually be forthcoming. The houses, the land and farms, and certain stocks of small coal known as slurry, still remain to be valued, and until their value is known we cannot put final proposals before you. But you will have noted that we ask for powers to pay back to the ordinary shareholders a further sum not exceeding £810,000, or 9s. per share. What the actual figure will be I cannot tell you. It entirely depends on the amount of the valuations still to be made. We are in negotiation with the National Coal Board in regard to the land and farms, and the slurry. I think it reasonable to hope that we shall come to agreement about the land and farms reasonably quickly, but so far we are very far from agreement about the slurry, and shall almost certainly, I fear, have to seek a valuation from the District Valuation Board and possibly in the event go to a referee.

So far as colliery houses generally are concerned, it became clear that important issues of principle separated the NCB and the claimants, and in order to get guidance the NCB and the Mining Association have agreed to put their cases before an independent Tribunal. The Tribunal has completed the hearings, and its report should be available quite shortly. I am hopeful that thereafter it should be possible to reach agreement with the NCB on the lines laid down by the Tribunal without too much difficulty or delay.

SUCCESS OF COMPENSATION NEGOTIATIONS

That we are able to take the first step in our capital reduction scheme is of course largely due to the success of the negotiations with other Notts coalowners in regard to TS compensation, to which I referred last year. A Tribunal under the chairmanship of Mr John Sparrow was set up, and issued its award in December. Our share was £996,545, which, while it is totally inadequate as compensation for the assets taken over, was I think a reasonably fair share for us to get out of the Notts District sum awarded at Stage II.

Now that the valuations of our TS assets are completed, I should like to say a word in praise of the ungrudging help given to us in the preparation of our cases by former servants of ours who joined the NCB. The only reason for them to have spent the time and trouble they did on our behalf was loyalty to their old company, and I would like to put on record our deep gratitude to them.

INCREASED TRADING PROFIT

Turning now to the accounts and the consolidated profit and loss account, the trading profit shows an increase from £394,670 to £426,056. There is also brought in a figure of £45,141 before deducting tax, representing interest for the year on agreed amounts of compensation, and a further figure of £53,875 after deducting tax, representing interest on compensation for earlier years and the contribution towards the costs of prosecuting our claim made by the Ministry. These figures will, of course, tend to decrease as further amounts of compensation are paid. The balance available after all charges is increased from £136,540 to £175,892, and after providing for dividends either already paid or now recommended, and adding the balance brought forward from last year, we carry forward £299,788 compared with £222,802 a year ago.

I hope you will think this satisfactory. While all departments have been busy, the one which has made the greatest contribution to the increase in the trading profit is the civil engineering department, which has had a very much more successful year. The building section has secured several important contracts for the erection of non-traditional type houses and schools, and others are in course of negotiation. Altogether the value of work done in 1952 was more than double the work done in 1951, and our programme for this year is considerably higher even than last year. I should like to offer my congratulations to Mr Fletcher, not only on the results his department has achieved, but also on his recovery from a severe illness which I am happy to say appears to be complete, and to say that we hope confidently for further improvement in his results this year.

IRONWORKS

All sections of the ironworks worked to capacity, and sales amounting to just under 2¼ million pounds constituted a new high record. We had our moments of anxiety over steel supplies, but the difficulties were overcome, and the position has certainly improved considerably over the past few months. Our overhead cranes and sheet metal presses and guillotines are winning new friends both at home and abroad, and orders continue to come in steadily.

The wagon works produced nearly 1,100 railway vehicles of many varying types during the year, and we secured a contract from the Railway Executive for 5,000 16-ton steel mineral wagons, delivery of which will be spread over the next five years. We are very glad that the Railway Executive decided on this long-term policy, as it enables us to plan production much more confidently and efficiently than is possible with comparatively short-term contracts.

OXYGEN DIVISION

Our oxygen division has made good progress. We have installed a generator in Butterley Works, which will not only produce a considerable saving in costs, but will be useful as a demonstration model. Interest in the plants is widespread, and I feel sure that we have only to put ourselves into the position of being able to offer reasonably early deliveries for orders to flow in. This we are doing by making available additional space at our Codnor Park Works, and by trying to make arrangements with the manufacturers for special deliveries of compressors.

We have done our best to make our full contribution towards the easing of the shortage of bricks which has been widespread throughout the country. All our plants except one have been turned over to the manufacture of facing bricks, and record outputs have been achieved. The new plant at Blaby has been an unqualified success.

EFFECT OF OPENCAST MINING ON FARMS

Turning to the farms, we are becoming increasingly anxious about the effect of opencast coal mining. Nearly half our acreage at Butterley has either been opencast, is now being opencast, or is likely to be opencast in the next year or so. We have considerable experience now of so-called restored land, and even though we do our very best for the land by copious application of farmyard manure and fertilisers, the recovery to reasonable fertility is painfully slow. I have the greatest sympathy for our farms manager, Mr E. B. Jackson, in what must be at times almost a heartbreaking job. And I must tell you that the restoration of this land to full fertility will not only be slow but very expensive, and it may well be that next year we shall be wise to make special provision for it in the accounts.

I must now say a word about the other companies in our group. The Kelvin Company has had another very successful year, and the easing in steel supplies should be of great benefit to it. Hughes and Lancaster has continued to improve, and we now only need a comparatively small increase in the labour force to make these works into a highly efficient producer. In order to help towards this we have applied for and have received a licence to build ten blocks of flats, and we are assured that by having homes to offer them we shall be in a much better position to attract suitable workmen, skilled in the trades we need. Our sand and gravel quarries have had a good year, and we have acquired through our Mugginton subsidiary a neighbouring quarry at Hulland. The two should constitute a very efficient working unit.

THE OUTLOOK

Taking the group as a whole, I believe there is ground for reasonable optimism. But we must realise that the outlook today is very different from what it was even a few years ago. Foreign competition in world markets is becoming more and more marked, and we have to be increasingly on our guard to meet it. Only by offering to our customers terms and conditions at least as good as our competitors can we hope to get business. It is for this reason that we, in company with many other engineering firms, view with the greatest apprehension the continued demands for wage increases and many other concessions which are being made so regularly.

We are often called upon to quote for large contracts which may not be completed for two or three years, and the uncertainty about wage rates and raw material prices makes it very difficult to be prudent as well as competitive. The sooner everybody realises that in this country today rises in wages can only be justified by increases in productivity, the better will be our chances of maintaining our position in the export markets of the world.

THANKS TO STAFF AND WORKPEOPLE

In conclusion I would like to add our thanks to our staff and workpeople for another year of loyal efficient service.

I now have pleasure in moving that the directors' report and balance sheet, which carries with it the directors' recommendation of the payment on July 11, 1953, of a final dividend on the ordinary capital of 6 per cent, less income tax (making 9 per cent, less income tax, for the year), which will absorb £59,400, and the carrying forward of the balance of £299,788, be received, approved and adopted. After it has been seconded, any shareholder can ask any questions before the motion is put.

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

At the subsequent extraordinary general meeting, following meetings of each class of shareholders, resolutions to repay 10s. per share on the ordinary capital and increase the rate of dividend on the preference capital from 4½ per cent to 6 per cent were carried unanimously.

HARLAND AND WOLFF, LIMITED

LAUNCHINGS TOTAL 162,000 GROSS TONS

PROBLEM OF CONSTRUCTION COSTS

SIR FREDERICK E. REBBECK'S REVIEW OF WIDESPREAD ACTIVITIES

The sixty-eighth annual general meeting of Harland and Wolff, Limited, was held on June 11th at the registered offices of the company, Queen's Island, Belfast, Sir Frederick E. Rebbeck, KBE, DSc, DL (chairman and managing director), presiding.

The secretary, Mr F. V. Spark, CBE, ACA, read the notice convening the meeting and the report of the auditors.

The chairman said: As the statement of accounts and the directors' report have already been in your hands for some time, I propose with your permission to take them as read. (Agreed.)

From the figures before you it will be seen that the consolidated net profit after depreciation and taxation is £363,355. To this figure there is added a sum of £55,000 arising on settlement of claims under War Damage Act Part II. The resulting figure of £418,355 enables the directors to make the same dividend payment on the ordinary stock as for the last few years and add to the reserves and the carry forward on profit and loss account a sum of £106,709 in the accounts of the parent company and £39,389 in the accounts of the subsidiary companies.

The consolidated total of reserves and undistributed profits now amounts to £4,724,012.

GREATER VOLUME OF WORK EXECUTED

The amount of work carried out during the year was in excess of 1951, but the reduction in profit is entirely due to the fixed price contracts taken in the early months of 1950 to which reference was made last year. Owing to the impossibility of obtaining our normal supplies of steel, more particularly steel plates, and to the difficulty of securing delivery from sub-contractors of auxiliary equipment, in the manufacture of which steel is incorporated, the completion of these vessels was delayed, with the result that their construction was thrown into periods when higher costs were in operation. They have now all been completed, and provision has been made in the accounts submitted for those completed in 1953.

WORK IN HAND

This is the thirteenth successive year in which the vessels launched from the company's works have exceeded 100,000 gross tons, the total gross tonnage being 162,000, the largest in the United Kingdom. More than 70 ships are at present under construction, fitting-out, or on order and these include large passenger vessels, six large tankers of between 30,000 and 32,000 tons deadweight for British and Norwegian owners, a large number of smaller tankers, Diesel passenger ferries and other small craft.

Naval work includes the light fleet carriers *Centaur* and *Bulwark*, frigates and coastal minesweepers for HM Navy and the light fleet carrier *Bonaventure* for the Royal Canadian Navy.

As mentioned in the directors' report, the Admiralty entrusted the company last year with the planning, building and management of a works for the construction of small naval craft. This establishment, located on a site near the Queen's Island and comprising three covered slipways, has been completed and the building of the first three vessels is proceeding satisfactorily.

DIVISIONAL OPERATIONS

The marine engineering division, which manufactures both propelling and auxiliary engines, has been fully occupied during the year. Our latest type of Diesel engine is giving complete satisfaction in service, and is being supplied in increasing numbers. Our latest orders also include several important turbo-charged Diesel engine installations.

The land engine division is engaged in the manufacture of a wide range of engines, including gas and air compressors for oil refineries at home and abroad. There is also in hand a gas turbine plant for the large sewage station at Mogden, which for the last seventeen years has been operated by an installation of seventeen Diesel engines made by us.

The Steel Constructional Division at Belfast has been fully employed during the year and the orders in hand will keep the division well occupied for some time to come.

The electrical division has also been well employed on electrical installations of both naval and merchant vessels. Generators for direct and alternating current, motors, control gear, switchboards, etc., have been manufactured for all classes of vessels, and also for export to Australia, India, South Africa and other parts of the world.

Once again I am able to report that our Scotstoun Works have been employed up to the capacity of the limited amount of labour available on the manufacture of turbines, etc., for hydro-electric installations at home and abroad. This machinery is being built to the designs of The English Electric Company under a working arrangement made some time ago between the two companies.

The repair works at London, Liverpool and Southampton have been well employed throughout the year. Of particular interest is the extensive refit and conversion of HMS *Wrangler*, which was completed by the company at Liverpool. As usual a certain amount of ship repair work was also undertaken at the company's shipbuilding and engineering establishments on the Clyde, whilst the repair division at Belfast was well employed throughout the year.

THE OUTLOOK

While it is satisfactory to know that the company has an extensive programme of work in hand, there is not in the order book a sufficient number of passenger ships to enable the finishing trades to be fully employed. No new shipbuilding orders of any magnitude have been placed in British shipyards for some time, and no doubt you will have seen in the press recently the statements made by the chairman of some of the leading shipowning companies calling attention to the high costs of new construction, and stating their intention to defer the placing of further orders, and even to seek cancellation of outstanding shipbuilding contracts, should costs rise further. This question has been giving the industry the greatest possible concern, and it is of the utmost importance that every effort should be made not only to avoid further increases, but to reduce present costs. This requires the co-operation of managements, suppliers of materials, and every employee, and such co-operation is the only way to ensure the continuance of a full order book.

As indicated in the report, since the close of the year under review, Dr Denis Rebbeck, CBE, MA, MSc, JP, has been appointed deputy managing director.

The company's property and plant have been well maintained during the year.

I take the opportunity to thank the members of the staff and workmen who worked well throughout the year.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, viz., Mr H. C. MacEwan, Mr W. H. Park, Mr J. S. Baillie, Mr H. R. Humphreys and Mr N. McCallum, were re-elected. Messrs Price Waterhouse & Company were re-appointed auditors and their remuneration was fixed.

The meeting terminated with a unanimous vote of thanks to the chair.

DUNLOP RUBBER COMPANY, LIMITED

FACTORS AFFECTING TURNOVER

LORD BAILLIEU'S REVIEW

The fifty-fourth annual general meeting of the Dunlop Rubber Company, Limited, was held on June 15th in London.

The Rt Hon Lord Baillieu, KBE, CMG, the chairman, in the course of his speech said:

Two events of great significance for the future of the country and of its industry occurred during 1952 and in the early part of this year. First, the built up demand for most products which was in evidence during the greater part of the war and since has been largely satisfied. Second, the trend of the steady increases in the taxation burden of industry which also persisted throughout and since the war was at last reversed.

CHANGE TO BUYERS' MARKET

The change to a buyers' market in this country and abroad has been directly reflected in the report and accounts for 1952 in the following ways:

The volume and value of our trading was reduced, reflecting a reduction of approximately 27 per cent in our net balances from trading; the investment in inventories was substantially reduced; there was a considerable reduction in our working capital requirements, notably in the form of bills and overdrafts; the margin of profits on which our group operated in 1952 was lower.

As you will have seen from the directors' report, the group turnover for 1952 at £250 million was £34 million less than in 1951. It was, however, £53 million greater than the turnover for 1950 at £197 million. I think it is important in considering those movements to remember that the years 1950 and 1951 were the years of peak inflation when prices of our main raw materials were abnormally high and that in 1952 those prices fell sharply. It is in that setting that we have to view the results and, as I will indicate later, these changed conditions created many difficulties and problems for the management of your company's affairs.

PRICE FLUCTUATIONS

The reduction in turnover was due to lower selling prices of many of our products and also to a slight reduction in the volume of goods sold. The lower volume reflected the two-fold effect first, of the advance buying in 1951 which occurred after the outbreak of the Korean war and, second, the buying resistance in a period of falling prices such as occurred in 1952. Industry is always confronted with difficult operational and financial problems in a period of rapidly fluctuating and falling prices.

The magnitude of the problem facing our company is simply illustrated by the course of prices for raw materials throughout the year. At the end of 1951 the price of rubber was 41d. per lb and a year later, in December, 1952, it was 27d., i.e., a fall of 34 per cent. In other words a ton of rubber worth £383 in 1951 had dropped in value to £252 at the end of 1952. Such a severe and rapid price decrease disturbs the normal buying habits of the public, but manufacturers' inventories of raw materials and of finished goods are at the higher cost levels previously ruling.

INDUSTRY'S PROBLEM

The problem of maintaining sales volume and at the same time avoiding excessive inventory losses is not easily resolved, but it is one which must be faced by every manufacturing industry in such a period.

You will see that in the directors' report we state that full provision has been made in the results for the year for the adjustment of inventories necessary in such a period of falling prices. These adjustments were absorbed in the profit and loss account and we did not require to draw upon our reserves.

You will see, too, that as a result of the reduction in inventories our working capital requirements were considerably reduced. We enjoyed the full support of banks and financial houses during 1951, when large sums had temporarily to be provided. At no time have we approached the limit of the borrowing powers with which you entrusted your board. The lower prices of our principal raw materials have enabled us to reduce the capital employed and thus to regain greater financial flexibility.

LOWER PROFIT MARGIN

The lower margin of profit again directly reflects the conditions existing in 1952 both here and abroad. Profit for the year was at 4.7 per cent of turnover before charging tax and 1.9 per cent after tax. This is lower than the margins earned in 1951 and considerably lower than the figures for 1950, namely, 9.2 per cent and 3.4 per cent respectively. Out of this margin we have to provide a reasonable return to shareholders and a sufficient allocation to reserve to maintain our productive capacity and volume of business. In 1952 tax provision was £5,275,000 and the reserve allocation was £520,000. This latter we consider insufficient to provide for the proper maintenance of our productive facilities and for the normal expansion of our business.

In my reviews of recent years I have mentioned the grave concern with which industry viewed the continued high level of taxation. Now for the first time since the war the tax burdens have been eased and we trust the trend of recent years has been finally reversed. The actual relief, present and prospective, provided in the Budget is still small, but it is a first and important step towards stopping the progressive erosion of the resources of industry. Whilst much remains to be done to strengthen the financial and productive basis of industry, we welcome the accumulating evidence of an important change of direction in Government policy towards industry.

We seem at last to be shaking ourselves free from the controls and restrictions and the negative thinking which is so often generated by a long war. Controls and licences are being progressively removed; shortages over a wide field of raw materials and of consumer and capital goods seem to be slowly disappearing; industry and the individual are being thrown more upon their own resources; and incentives are being revived to call forth the latent resources and energies of the nation. We trust the Government will not weary of well doing. I am confident that industry itself will recognise the continuing challenge of this change of direction in Government policy.

CHALLENGE OF GROWING FREEDOM

The growing freedom we enjoy and the incentives now appearing just above the horizon are a further call to industry to continue in its task of increasing its own efficiency and of making its full contribution to the national need.

As we have consistently done since the close of the war, we must continue to seek every opportunity of increasing turnover and exports, of raising productivity, of achieving greater efficiency and lower costs and of re-awakening in its widest interpretation the arts of salesmanship. These constitute a grave and weighty challenge to the whole of industry.

If we succeed we shall be putting real value into the pound sterling; we shall be increasing the net worth of every pay packet; and we shall be helping to re-create a stable and solvent Britain.

We all know that the governments of the free world are faced with the dilemma of providing finance for essential defence needs and for the minimum requirements of the modern state without levying too heavy a toll on productive effort. We may continue to hope that a supreme act of statesmanship will relieve the world of its growing tensions and financial burdens. Meanwhile, there lies upon government and industry alike the inescapable duty, by wise and prudent husbandry, of nourishing and sustaining our national resources. This devolves upon each of us a rigorous control of all expenditures, linked to a courageous policy of developing present and of opening up new sources of national wealth. Only then can we hope to maintain the living standards and the level of employment we now enjoy.

EXPORTS AND OVERSEAS BUSINESS

The contribution to our results for the year by our export and overseas business has again been substantial. You will see from the reports on individual territories, which are included in the review of divisions and subsidiary companies, that our trading abroad was at a slightly lower level than in 1951. In the majority of markets there was a heavy stock carry-over from the previous year and a general tendency to reduce stocks. Sterling became scarce in some territories and in others an adverse trade balance resulted in the imposition of import controls. Competition became sharper and prices and delivery keener.

Shipments in the early part of the year, mainly against outstanding orders, were extremely heavy, with the result that markets were quickly over-stocked. During the second half of the year, therefore, there was a considerable drop in the export rate of the industry as a whole. Nevertheless, we were able to maintain our share of exports from this country.

Last year I mentioned many of the difficulties which were imposed on export business by bi-lateral agreements, import quota restrictions, and currency regulations in particular. These conditions, together with the desire of many overseas territories to set up secondary industries, inevitably give rise to a position where the company, which has for years exported to a country and has built up a considerable goodwill, is faced with losing those British exports and goodwill and being completely shut out of that territory. As you know, for some years our policy has been in such cases to face up to this situation and set up a factory in the territory.

The report and accounts were adopted.

W. J. BUSH AND COMPANY, LIMITED

AN IMPROVING TREND

The fifty-sixth annual general meeting of W. J. Bush and Company, Limited, was held on June 18th in London, Dr Percy C. C. Isherwood, OBE, FRIC (chairman and managing director), presiding.

The following are extracts from his circulated statement on the year 1952:

The trading profit of the group has decreased from £855,404 to £532,760, and after providing for interest on loan capital, depreciation and estimated sums for taxation, the net profit recorded shows a decline from £340,722 to £196,395.

Last year I referred to the recession in business due to a reluctance on the part of buyers to add to existing stocks under the more competitive conditions then obtaining. Unfortunately these adverse conditions were accentuated during the balance of the year, particularly in the chemical section of the company's business, and, as a result, our plants, which prior to 1952 had been operating at full capacity, had to be geared down.

It was under these conditions and with the prospect of considerably reduced profits for the year under review, that in January, 1953, as has been the custom for many years, your directors gave consideration to an interim dividend. At that time the recession in business was still going on; also, it was not known how far our always substantial inventories would have to be written down. It was therefore deemed prudent at that stage to give an indication to shareholders, by reducing the interim dividend, that profits were likely to fall, as indeed they have. In view of the final profit achieved, however, in spite of these adverse factors, your directors are recommending a final dividend of 8 per cent, making, with the interim dividend already paid, a total of 10 per cent, the same as for 1951.

INDICATIONS FOR 1953

I can say that for the first quarter of 1953 our turnover is less than for the corresponding period of 1952. It does, however, show an increase over the last three months of 1952, which indicates an improving trend. It must be borne in mind, however, that under the existing more competitive conditions the gross margins are lower than for a number of years past. Nevertheless, although I hesitate to assume the role of prophet, particularly in such uncertain times, I feel that we can look to the future with sober confidence.

There is an increase in fixed assets of approximately £353,000, the bulk of which is attributable to developments in our factories in the United Kingdom, and also in Canada, where we have recently completed the erection of up-to-date factory and office premises on the new industrial site at Ville LaSalle, near Montreal.

Provision is also being made to cater for an expanding business in the Union of South Africa by the erection of premises on a new industrial site at Isando, about 14 miles from Johannesburg. Work is now in progress and the capital commitments figure in the notes to the balance sheet is largely attributable to this project.

The excess of current assets over current liabilities and provisions has increased during the year by £216,000, which is mainly due to the acquisition of the unsecured loan capital. Taxation, both past and current, does, however, constitute a burden, and is demonstrated by the provision and the reserve of £620,595 and £127,640 respectively.

The report was adopted.

UNITED BRITISH OILFIELDS OF TRINIDAD

INCREASED SALES

The fortieth annual general meeting of the United British Oilfields of Trinidad Limited was held on June 16th in London, Sir Frederick Godber (the chairman) presiding.

The following is an extract from his circulated statement:

The profit for the year 1952 was £202,202 after £325,000 had been appropriated to general reserve. The corresponding figure for 1951 was £202,038 after £875,000 had been appropriated to general reserve.

VALUE OF OIL SALES

The value of oil sales for the year at £9,207,000 is higher by £288,000 than in the previous year, in spite of reduced fuel oil prices during the second half of the year. This improvement is due to an increase in sales of all products of 102,174 tons. On the other hand, the higher income has been more than offset by the rising trend of operating costs.

As regards capital outlays in 1952, our expenditure on exploration amounted to the considerable sum of £593,373, which is £262,318 higher than in 1951. This increase in exploration expenditure is mainly accounted for by work in the Ortoire Basin.

As regards field developments, our production in 1952 was somewhat less than in 1951. So far this year there has been some improvement owing to the completion of several good wells within the main field area at Point Fortin, but it is, of course, too early yet to say whether this higher production rate will be maintained. The ratio between our remaining crude oil reserves and our rate of output continues to be most inadequate, and from this point of view the company's future cannot be viewed with complacency. It is therefore still essential to continue with active exploration to find new sources of production. This search is bound to be costly.

EXPLORATION RESULTS

Exploration results, however, have recently been a little more encouraging. In the Ortoire Basin an accumulation of oil has been discovered at Balata, but as yet it is not known whether it is of sufficient size to justify commercial development. A certain amount of production is being obtained and transported by road tank cars to Penal, whence it is pumped through to Point Fortin. The amount of this production was not significant in 1952, but so far this year some 22,000 barrels of crude have been produced from this area. Well Balata E-3, mentioned in the directors' report, has since been completed as a producer as have two more wells. Drilling on other sites continues. Similarly, small quantities of oil are being obtained from two wells in Catshill. Tests in Catshill CO-4 have so far failed to yield any production.

While these results justify continuing with two drilling strings in the Ortoire Basin, it is to be emphasised that the fundamental question as to whether we have discovered a new commercial oil field must remain in doubt for some time yet. As regards the Ortoire Basin as a whole, we have already spent some £1.9 million in exploration surveys and test wells and it is evident that something very substantial in the way of oil reserves must be discovered before there is any solid prospect of recovering our investment.

As regards Trinidad Northern Areas Limited, a company in which we hold a one-third interest, important progress is being made in preparation for testing the company's extensive marine holdings in the Gulf of Paria.

The report and accounts were adopted.

F. FRANCIS & SONS LIMITED

FUTURE VIEWED WITH CONFIDENCE

The fifty-second annual general meeting of F. Francis & Sons Limited was held on June 15th in London, Mr John Ismay, the chairman, presiding.

The following is an extract from his circulated statement:

You will observe from the parent company's accounts that the balance of profit for the year, including dividends receivable from subsidiary companies, amounts to £175,729, and after providing £70,500 for taxation we are left with a disbursable sum of £105,229. Your directors have transferred £50,000 to general reserve and recommend payment of a final dividend of 15 per cent on the ordinary share capital, making a total of 20 per cent for the year.

The net profits of the group, after providing for taxation and bringing in certain tax adjustments relating to previous years, amount to £122,697, a decrease of £10,574 on the corresponding figure for 1951. Current assets at £823,553 show an excess over current liabilities and provisions of £555,213, an increase over the previous year of £36,731.

The continued shortage in the supply of steel and tinplate persisted until early December, 1952, when a distinct improvement took place and adequate supplies are now available.

We feel that the trading conditions now developing will prove to be healthier for industry generally, and your directors view the future with every confidence.

The report was adopted.

ENGINEERING COMPONENTS

The eighteenth annual general meeting of Engineering Components, Limited, was held on June 11th in London, Mr C. C. Griffith, MC (the chairman), presiding.

The following is an extract from his circulated statement:

The net profit amounts to £187,059, as against £320,482 for 1951. Although the profit margin had been reduced, the actual group profit for the first six months of 1952 was roughly equivalent to that for the first half of 1951. From July onwards, however, there was a progressive decline in sales and production, and not until December did production become stabilised, and then at a figure approximating to 50 per cent of the previous year, and with this reduced output profits must suffer.

The causes of this sudden falling off we believe to be due to tighter monetary conditions and to an awakening of the fact that there had been a too generous stocking by most of our customers in the past against spares requirements. The actual turnover for the year 1952 was a record in spite of the last six months.

In spite of falling off in the latter part of the year, export sales were a record, and we are making every endeavour to extend this very important side of our business.

It remains as difficult as ever to forecast the future. The continued demand for lower prices (when there is no corresponding fall in basic costs—over which we have no control) must have its effect on profits.

The report was adopted and a total distribution of 25 per cent was approved.

THRELFALL'S BREWERY

SALES WELL MAINTAINED

The sixty-sixth annual general meeting of Threlfall's Brewery was held on June 18th in London.

Mr Frederick Cornwall, chairman and managing director, in the course of his speech, said:

Once more it is my pleasure to announce that we have had a good year. Our sales of beers and other commodities have been well maintained, and your board are in the happy position of being able to recommend an increase in the dividend to the ordinary stockholders.

We have now practically completed the re-equipment of the Liverpool bottling stores with the latest type of machinery, and have also re-organised its lay-out with beneficial results.

Your board have under consideration the erection of a new residential hotel near to the Liverpool pier head, as we are convinced that such an hotel, similar to our other high-class residential hotels on Merseyside and in North Wales, is very much required. This proposal has received the approval in principle of the local authority, and it is presently before the appropriate Ministry as we are desirous of proceeding with the erection of the building at the earliest opportunity.

The company has always attached great importance to the question of happy relations with its employees and their well-being. We appreciate their loyalty and the willing and efficient services rendered by all, irrespective of position, but I particularly take this opportunity of expressing our thanks to the licensees and staffs in the hotels.

The report was adopted.

LUNUVA (CEYLON) TEA AND RUBBER ESTATES

A TRYING YEAR

The forty-sixth annual general meeting of the Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held on June 11th in London, Mr H. W. Horner (chairman) presiding.

The following are extracts from the chairman's circulated address for the year 1952:

Producers of tea, our main product, found the year 1952 a trying one. Early in the year a decline in the tea market set in which continued with one or two minor temporary improvements until about the middle of December, when prices began to rise, and have now regained a less unsatisfactory level. Throughout, the better teas were in strong demand and realised satisfactory prices. The lowest average price at any of the London auctions during the year was only a fraction under 3s. 6d. a lb for Ceylon, as compared with 2s. 5d., the lowest average in any week, for North India, and 2s. 2d. for South India.

Crops for 1953 are estimated at 8,674,000 lb tea and 1,628,000 lb rubber. Costs unfortunately are not stabilised even yet. All economies are being effected commensurate with the maintenance of the estates in their present first-class order, but by far the greater part of our costs is for labour, over whose wages and general conditions we can now exercise little direct control. At present market levels for our tea and rubber, and if crops come up to expectations, it is possible to foresee moderately profitable results for 1953. Much of our rubber is manufactured in the form of sole crepe, a grade which commands a substantial premium over ordinary crepe and sheet.

The report was adopted.

NOTICES

FINANCIAL CONTROLLER required for exceptionally well-founded and growing company with two new factories and headquarters near south coast. Very good conditions and terms of employment will be offered to the right man. Only fully qualified accountants already holding good positions and under 40 should apply. The man appointed will be directly responsible to the Managing Director for efficiency of his department, for completing and improving partly developed systems of budgetary and cost control and for securing that the Management is promptly informed on the current financial position, the financial trends and the financial implications of policy decisions.

Please send full particulars of your education and qualifications, your own responsibility in past and present posts held, with salaries and names of employers. References will be required and it will be useful to submit two to whom immediate reference may be made. Box 269.

SENIOR OFFICIAL required by International Tin Study Group (an intergovernmental body) in The Hague. Duties include control over small staff, committee work, conference organisation and preparation of minutes and memoranda; direct responsibility to Secretary General. Some administrative experience necessary. Knowledge of the tin industry or international commodity problems an advantage. Very good knowledge of French essential. Minimum age 30. Salary 10,000 guilders (about £940) per annum (free of tax in the Netherlands for non-Netherlands citizens) with pension fund. —Applications (in English or French), with names of three references, should reach the Secretary, International Tin Study Group, 7 Carel van Bylandtlaan, The Hague, Netherlands, before August 7th.

TOP-LEVEL PRODUCTION EXECUTIVE of exceptional experience and calibre is required by a progressive group of Companies in the light engineering field, accepted as one of the most advanced in its production methods in Britain today. The post demands professional engineering qualifications, practical experience of current production techniques, and administrative ability above the average. The proposed appointment will entail complete responsibility for one of the Group's manufacturing units employing up to 2,000 people. Recent experience in the instrument or electronic industry would be an advantage. A salary of up to £5,000 per annum will be offered, commensurate with ability. Production Executives who consider their engineering and administrative qualifications equal to this important appointment are invited to write, quoting reference TE/R, in strict confidence (and with the assurance of careful consideration at the highest level), to Box 272.

INDUSTRIAL CONSULTANT (39), with highest qualifications in accounting and general management and wide practical experience seeks a settled position in top management of a medium sized concern where the planning and control of Sales, Production, Costs and Finance are required in order to increase productivity and profits. Full information to be exchanged in strict confidence after preliminary interview with principals.—Box 263.

A SMALL London firm of Industrial Consultants, established 12 years, offers Partnership to a young man, not over 35, of outstanding qualifications, who has had sufficient experience in Management, including Management Accountancy, Production and Sales, to advise on current problems in industry.

Some capital required, possibly later, to acquire interest, but the main emphasis would be on experience, reputation and ability to make a significant contribution to the expansion of the clientele of the organisation, as well as to carrying out of some of its activities in consultancy.—Box 275.

RESEARCH OFFICER (Woman).—A Company in the North of England manufacturing nationally known consumer goods has a vacancy in its Market Research Department for a woman graduate in mathematics. The position involves responsibility for the analysis and interpretation of a wide range of market information, and candidates should be capable of pursuing a line of investigation independently. Good commencing salary and prospects are offered.—Write, stating age, experience and qualifications, to Box 276.

BUSINESSMAN (37), at present in London, having valuable experience of present-day marketing conditions in SOUTH AND CENTRAL AMERICAN REPUBLICS, extensive connections, and fluent knowledge of the languages, seeks appointment as Resident Representative of British firm making heavy or light engineering products and/or general merchandise.—Box 278.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF GEOGRAPHY

The Council invites applications for a Lectureship and an Assistant Lectureship in Geography. Salary on appointment will be according to qualifications and experience on the scale £550 x £50–£1,100 a year for a lecturer, £500 x £25–£550 a year for an assistant lecturer. Applications (three copies), together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than July 15, 1953.

SCHOOL OF ECONOMICS, DUNDEE

Courses of study are offered for:
B.SC. ECON DEGREE OF LONDON UNIVERSITY.
A four-year course for an Honours Degree.
GENERAL CERTIFICATE OF EDUCATION ADVANCED LEVEL OF LONDON UNIVERSITY.
A one-year course in Economics, Economic History, Geography and British Constitution.

Copies of the Calendar of the School can be obtained from the Secretary, 17 Bell Street, Dundee.

STATISTICIANS in the HOME CIVIL SERVICE.—The Civil Service Commissioners invite applications for posts of Assistant Statistician in Government Departments. Selection will be by interview in London in late July. Age at least 21 and under 24 on August 1, 1953, with extension for service in H.M. Forces and approved post-graduate experience. Candidates may be mathematical or economic statisticians; they must have a First or Second Class Honours Degree (II(i) where the Second Class is divided) with statistics as a main subject, or a post-graduate University Diploma or higher Degree in Statistics. Those so qualifying this summer will be eligible. Starting emoluments in London between £475 and £640 (men) or £570 (women), according to periods of National Service and post-graduate experience, rising to £877 (men) and £763 (women). Promotion prospects to £1,550 (men) and £1,350 (women), with possibility of later increases to £2,100 (men) and £1,950 (women).—Particulars and application forms from the Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 96/53. Completed application forms must reach him by July 4, 1953.

IMPORTANT old-established industrial company in Malaya invites applications for Executive position. Applicants should be aged 35-40 years, of good presence and education. General experience commerce and finance desirable. Commencing salary equivalent to £1,750 per annum with annual increments, cost of living allowance and free housing. Excellent prospects for advancement to managerial position within a short period.—Apply with fullest details age, education, experience, etc., to Box No. 6843, c/o Charles Barker and Sons, Ltd., 31 Budge Row, London, E.C.4.

APPLICATIONS are invited for the post of AGRICULTURAL ECONOMIST, tenable at Bristol, and for four posts of ASSISTANT AGRICULTURAL ECONOMIST, two tenable at Bristol and two tenable at Newton Abbot, Devon. Candidates must be graduates in Economics and/or Agriculture, and for the Agricultural Economist post experience is essential. Salaries in accordance with the Ministry's scales. Further particulars may be obtained from the Registrar, The University, Bristol, 8, to whom applications should be sent to arrive not later than July 6th.

RESPONSIBLE ADMINISTRATOR (42), widely travelled and with first-hand knowledge of many overseas markets, seeks post providing greater scope for his energy and ability to develop export markets. Experience of negotiating to highest governmental level. He has previously held important overseas position connected with British trade and is now London director of foreign company. Prepared to travel. Salary £2,000.—Box 274.

STATISTICIAN required for Market Research Statistics by a firm of Manufacturing Chemists in West London. Ability to interpret figures after compilation essential, with particular reference to export markets. Salary £600/£650. Pension Scheme, Profit Participation.—Write, giving fullest details, age and experience, to Box 265.

EXPORT.—PROFESSIONAL ENGINEER, aged 42, commercially trained, fluent French and German, knowledge Spanish and Slavonic languages, residential experience European countries, war service as officer R.N.V.R., seeks appointment to promote markets on the Continent and in Canada.—Write Box 271.

OTHER NOTICES APPEAR ON PAGE iii OF COVER.

BRITISH BANKING 1953

This series of articles comprises the editorial section of THE ECONOMIST'S annual survey of banking trends in Britain and the British Commonwealth, which on this occasion relates to the first complete year of Britain's "new" monetary policy and the disinflationary trends that developed simultaneously in the overseas sterling area. The articles are intended to be read in conjunction with the 16-page selection of British Banking Statistics that appears in this week's issue of the RECORDS AND STATISTICS Supplement.

Twelve Months of Credit Expansion

THE monetary trends of the past twelve months have presented some odd contrasts—both with the expectations of bankers when the "new" monetary policy was launched and with the trends of the first six months of that policy. On the one hand, it is now almost generally acknowledged that the revival of Bank rate and the associated moves towards monetary orthodoxy played a major part both in extricating Britain's economy from the crisis and in promoting the climate of disinflation that was especially noticeable during the summer and autumn of 1952. On the other hand, this phase of disinflation that monetary weapons have helped to bring about has actually witnessed a renewal of credit expansion.

Early in 1952, when the new credit squeeze had stopped the expansion of bank advances and the Government was enjoying its seasonal surplus of revenue, it was widely believed that the long phase of credit expansion had at last been brought to an end. And, indeed, the year 1952 as a whole was the first since 1939 to show a decline in the average level of deposits. But this change of trend was almost wholly due to the steep fall during the first half of the year. The latest deposit figures quoted in the Banking Survey published at this time last year—those for May, 1952—marked the limit of the improvement. At that point, net deposits were running fully £150 million below their level of the previous year. Now, in these past twelve months to May, 1953, they have risen by no less than £168 million, to £5,865 million, the highest figure ever recorded at this season of the year. The deterioration has been somewhat more marked in the past six months of seasonal contraction than in the previous six months. Since last November deposits have fallen by £167 million less, whereas in the previous six months they rose by £153 million more, than in the corresponding period of 1951-52.

It is instructive to examine the sources not only of this deterioration as a whole but of its recent accentuation. If the twelve months are surveyed as a whole, the change of trend from that of 1951-52 has to be attributed solely to the remarkable expansion of governmental demands for bank credit. In the twelve months to May, 1953, clearing bank advances—the greater part of which represent credit extended to the private sector of the economy—declined by £118 million,

whereas in the twelve months to May, 1952, they rose by £97 million. Similarly, bank portfolios of commercial bills have contracted during these past twelve months by £34 million; the amounts of these portfolios were disclosed for only part of the previous year, but on balance they were probably not much changed. Bank portfolios of investments increased substantially in both years, in consequence of the special funding operations of November, 1951, and October, 1952; but if the funding stocks taken up by the banks are excluded, their portfolios show declines of £34 million in 1952-53 and £123 million in 1951-52. Most of the 1952-53 movement may be presumed to represent actual sales rather than writing-down, but the reverse is true of the movement recorded for 1951-52.

If rough allowance is made for these and other complications, it appears that in the twelve months to May, 1952, the private sector of the economy, including those nationalised industries that borrow from the clearing banks, increased its absorption of bank credit by rather more than £80 million. During the past twelve months, on the same basis of estimation, the private sector appears to have reduced its requirements for bank credit by not much short of £180 million. In other words, if the demands upon the banking system from the central government had remained constant as between the two years, bank deposits would have fallen in 1952-53 by some £250 million more than they fell in 1951-52.

This comparison, which indicates broad magnitudes rather than exact quantities, brings out very clearly the way in which government finance has dominated the credit trends; for bank deposits, instead of falling faster, have risen sharply in response to governmental borrowings. The same process of estimation suggests that in 1951-52 the central government reduced its indebtedness to the banking system by nearly £170 million, whereas in the past twelve months it appears to have increased its indebtedness by fully £350 million.

★

This massive change in the credit needs of the central government does not, however, reflect any corresponding deterioration in its purely domestic finances. The "overall" Exchequer deficit, though abnormally large in the first nine months of the fiscal year 1952-53, was not very much larger in the twelve months to last May than in the previous twelve months; and, indeed, the excess was approximately offset by a diminution in the strain upon the Exchequer for net repayments of tax reserve certificates and an increase in the finance it secured via the Bank of England against the expansion of the note circulation.

The whole explanation of the striking change in the Government's financial needs has, therefore, to be sought in the strain put upon it from external sources through the dramatic transformation in Britain's external balance of payments—in the fact that, whereas in 1951-52 the Treasury was in effect borrowing from overseas the sterling counterpart of Britain's large external deficit, in the past year it has had to furnish banks and persons overseas with the sterling counterpart of Britain's considerable external surplus. The strain resulting from this big change does indeed appear to have been fully sufficient to explain the Treasury's swing from repayer of debt to the banks to heavy borrower from them. The banking swing, as estimated above, was perhaps of the order of £520 million; while the swing in the current external balance of payments, from deficit to surplus, may have been in the region of £600 million, or even more.

These calculations, made by the method of comparing differences between the two years, thus yield a logically satisfying result; but it should be noted that similar calculations made by direct reckoning of the two years separately do not explain how the whole requirements of the Treasury were financed in either year. For both years there is a considerable unexplained margin, representing, apart from errors and omissions, finance obtained from domestic sources other than the clearing banks. One of the principal omissions that cannot readily be made good by any dependable estimates is the effect of trends in overseas speculation in sterling. Purely financial transactions arising from the desire of foreigners to "go short" of sterling, or the converse movement when short positions are covered, do not directly impinge upon Britain's domestic finances, because in most instances—so far from representing a real "outflow" or "inflow" of money—they merely involve transfers of sterling to or from overseas monetary authorities from or to the nationals of the countries they represent. But the change of ownership of these sterling funds may increase or diminish the proportion of overseas funds that is placed, directly or indirectly, at the disposal of the Treasury.

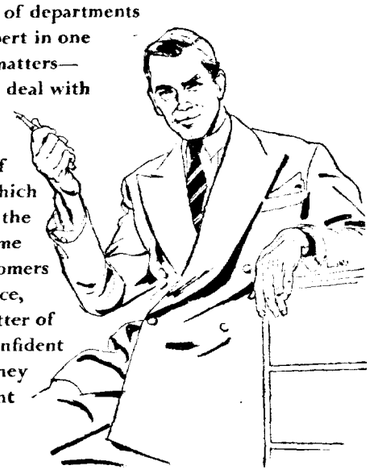
Any attempt to estimate, from an analysis on the above lines, what the tactics of the British authorities have been in the gilt-edged market, has to make some precarious guesses of influences such as these. For what it is worth, the impression conveyed by the figures cited is that both in 1952-53 the Treasury and the "departments" have been substantial net sellers of government securities. This basis of estimation does not, of course, draw any distinction between securities sold by overt public issue (much of which are in any case usually subscribed by the "departments" in the first instance)

TABLE I
CHANGES IN BANK DEPOSITS AND ASSETS
(£ Million)

Years to May	1947	1948	1949	1950	1951	1952	1953
Net deposits	+638	+255	+ 47	− 40	+199	−152	+168
Advances	+243	+234	+102	+211	+155	+ 98	−119
Investments	+148	+ 7	+ 25	+ 1	+ 53	+377	+191
TDR's	− 24	−102	−211	−672	− 95	−269	...
Bills and call money	+318	+ 88	+137	+421	+ 62	−344	+ 90
Cash	− 48	+ 28	− 1	− 5	+ 22	− 13	+ 7

OUT OF YOUR GROUND

There are so many occasions when one realises how difficult it is to be well-informed on all the financial problems which arise in these complicated days. That is why our organisation includes a number of departments which are each expert in one or other of these matters—departments which deal with Foreign Exchange, which understand the complexities of Wills and Trusts, which will not get lost in the labyrinths of Income Tax and so on. Customers may, in consequence, bring to us any matter of this kind, in the confident expectation that they will receive efficient attention and sound advice.



WESTMINSTER BANK LIMITED

BANK OF SCOTLAND
THE MOUND
EDINBURGH

Governor:
THE RIGHT HON. LORD ELPHINSTONE, K.T.

Treasurer:
WILLIAM WATSON, C.A.

EVERY DESCRIPTION OF BRITISH AND FOREIGN BANKING BUSINESS TRANSACTED

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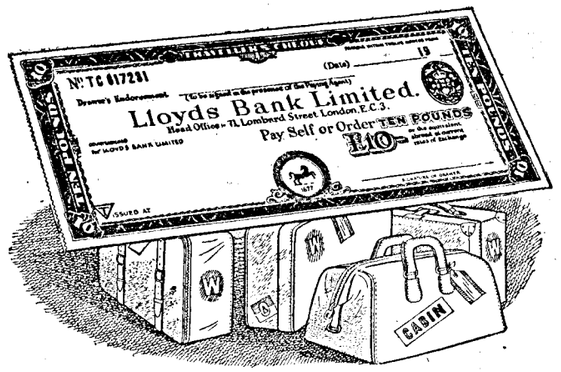
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and the net sales (or net purchases) of the government broker in market operations. But the analysis suggests that the total net sales in the past year have appreciably exceeded the amount of net cash nominally secured from public issues. This net cash comprised £64 million from the operations of last October (after allowing for the unconverted residuals that were due to be repaid last December and March) and £100 million from the stock issued last March. The similar issue made this week does not, of course, figure in this analysis.

It appears, therefore, that the monetary authorities have made some effort to follow the orthodox principle of trying to curtail their demands upon the banking system by borrowing instead from the public; and this effort has probably been particularly successful in recent months. Policy may have been rather more orthodox, therefore, than might be judged from the short-dated nature of the public issues as such. It has not, however, been vigorous enough either to prevent the unexpectedly large expansion of bank deposits or to avoid a rise in the banks' ratio of liquid assets. Last autumn the excessive liquidity ratio had once again to be cut back by the surgery of a special funding operation, in which the banks were expected to participate—necessarily by running down their bill holdings—to the extent required to reduce their liquidity ratios to more reasonable levels. There is little doubt, however, that the easy policy pursued by the authorities last summer, combined with the indications that the autumn operation was not intended to reduce the banking system to a position of real stringency, played a contributory part

TABLE II
CHANGES IN ASSETS STRUCTURE, 1951–53*

	Nov., 1951		May, 1952		May, 1953	
	£ mn.	%	£ mn.	%	£ mn.	%
Net deposits	5,973·3	...	5,696·6	...	5,864·9	...
Liquid assets:—						
Cash	517·2	8·4	490·6	8·3	498·3	8·2
Call money	562·3	9·1	517·7	8·8	463·7	7·6
Bills	901·1	14·6	935·8	15·8	1,079·8	17·8
Total liquid assets	1,980·6	32·1	1,944·1	32·9	2,041·8	33·6
"Inflexible" assets:—						
Treasury deposit receipts	107·5	1·7	...	...	...	...
Investments	2,032·7	32·9	1,932·3	32·7	2,123·1	34·9
Advances	1,925·2	31·1	1,890·6	32·0	1,772·1	29·1
Total "Inflexible" assets	4,065·4	65·7	3,822·9	64·8	3,895·2	64·0

* Percentages of assets are related to *gross* deposits.

in promoting the more liberal tendencies that have since been observable in the banks' attitude towards advances.

The downswing in advances reached its limit in the first half of the period under review: the low point was reached last November, at £1,744 million, more than £200 million below the peak reached in the previous April. But since then the total has risen by £28 million, despite the repayment of probably more than £50 million out of the first proceeds of the £125 million issue of the British Electricity Authority; in the similar period a year earlier there was a decline of £35 million (and BEA repayments then, out of the previous issue, were only slightly larger than this year's). At the same time there has been a re-expansion of bank portfolios of commercial bills, which likewise touched their lowest point last November, at £57 million; they are now £9 million above that level, whereas in the comparable period last year they declined by £50 million. The fact that the deterioration in the trend of bank deposits in these past six months has been even more marked than in the previous six months cannot, therefore, be laid at the door of governmental finance as such; the public sector's repayments to the banks have, it is true, been appreciably smaller than they were a year previously, but the deterioration in the position of the private sector has been much more marked. It should not, however, be attributed wholly—or even mainly—to relaxation of lending standards. It is mainly a reflection of the fact that commercial borrowers, having run down their stocks and work-in-progress, have lately faced the need for some replenishment, made in some instances at appreciably higher prices.

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The year's credit trends are, therefore, readily explicable in terms of statistical analysis. But such explanations do not similarly explain how it has happened that a credit trend that most bankers would regard as the reverse of disinflationary has none the less coincided with a phase of undoubted disinflation in the national economy, and has not, apparently, had any untoward results. The explanation of this has to be sought in the non-monetary sources of disinflation, and in the momentum of the disinflationary impulse imparted to the private sector in the early phase of the credit squeeze (and also maintained at considerable strength in some branches, such as personal advances, ever since). The non-monetary influences were, of course, the recession of certain types of consumer buying that began even before the new monetary policy was launched, and the steep curtailment of sterling area demand for British exports. If these influences had not produced a climate of uncertainty that was reducing willingness to spend, the government's deficit-financing through the banking system last year, as well as the consequential easing of liquidity ratios, would certainly have generated a renewal of the inflationary impulse. Had that happened, the fact that the government was having to put up a large amount of sterling for the finance of the external deficit would not have been a sufficient excuse for its heavy reliance upon bank credit. And, had it sought to moderate such borrowings in circumstances of rising inflationary demand, the pressure upon interest rates and the degree of the credit squeeze might have been severe. The new monetary policy has most of the time had the great advantage of pulling with the tide. Only if and when it has to work against the tide for some time will the techniques and courage of the authorities be put to the full test.

Preparing for Convertibility

THE "plan" for convertibility tabled at the Commonwealth conference of last December has now become little more than an assembly of good intentions to move towards freer payments and trade when and if circumstances permit. But the good intentions have been spread widely across Europe and are not confined to the sterling area alone. Without entering into analysis of the implications—and complications—involved in these shifts in policy, this seems to be an opportune moment at which to summarise the technical steps of special interest to international bankers that have taken place in recent months, and to discuss some of those that may be in prospect.

In the field of payments—as distinct from trade—the most important of these technical moves in recent weeks has been the freeing of the exchange markets in eight European currencies for arbitrage between the centres concerned. Whilst the mechanism of the European Payments Union itself had provided for the operation of multilateral payments within Europe at the level of the central banks (so that the French franc has been just as "hard" a currency to the Bank of England as the Belgian franc), the opening of arbitrage facilities has meant that the principle of multilateral payments has been extended to the authorised banks in the eight countries for which the scheme operates. So far the experiment has proved eminently successful. It has not, admittedly, led to a substantial expansion of foreign exchange business, although London bankers have been able to attract a certain amount of three-cornered business that in the previous postwar years had been the virtual monopoly of Swiss banks. But the return of arbitrage is beginning to recreate a technique of dealing and a habit of intra-European banking collaboration that had fallen into desuetude in the preceding years. These techniques will be put to greater use when the structure of exchange controls of the countries concerned can be further dismantled, and also when the arbitrage facilities are extended to forward markets instead of being restricted to spot transactions as at present—which seems likely to be the next step.

Meanwhile, within the Managing Board of EPU and the appropriate committees of OEEC, a considerable amount of preparatory work is being done on the problem of translating EPU itself into wider multilateral terms. That work is at present handicapped by the fact that the Union includes some very weak members, especially France, and only a few fairly strong ones; but this obstacle is giving greater incentive to a detailed study of the possibility of operating the Union in a setting of more freely fluctuating rates of exchange. This particular issue goes far beyond the bounds of technique and involves questions of high policy—not least that of the degree of tolerance of exchange fluctuations allowed under the Articles of the International Monetary Fund. It is probable, nevertheless, that a greater freedom for movement is under consideration, not only in Paris, but in Washington. The wider problem of relations between EPU and the Fund is also receiving some attention; and some consideration is being given to the help that the IMF could give to EPU, by way of standby credits and other facilities, in the event of any future joint move by a substantial group of West European currencies to convertibility with the dollar.

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Significant technical strides towards convertibility are also taking place in the realm of commodity dealing. In Britain, an increasing number of commodities have been freed from state trading and restored to private markets in the past few months, and in many cases freedom has been provided for arbitrage in such commodities between dollar and non-dollar countries. The dealings that have been freed can be divided into two main groups. The first comprises those commodities in which re-exports have been freed as well as imports. These are the commodities in which genuine arbitrage is possible. They include tin, lead, zinc, rubber, tea and cocoa; there are also opportunities for re-exporting dollar coffee to EPU countries, though there is no complete freedom to import dollar coffee for domestic consumption. It is intended that copper should be included in this group of commodities eligible for free arbitrage, when private dealings in it begin next August. To the extent that arbitrage dealings do in fact take place in these commodities, the sterling that enters into the operations is wholly convertible, even though the privilege of such convertibility applies only to transactions that are put through members of the appropriate and recognised markets.

In a second group of commodities, Britain has freed imports, but has retained control of re-exports. Timber, pulp and paper are typical examples of the commodities in which British exporters are now entitled to secure their requirements in the cheapest markets even though those requirements have to be paid for in hard and not in soft currencies; cotton also belongs to this group, for although licences are required for the import of dollar cotton (but not of non-dollar cotton), the licences do not seem stern enough to hold many such purchasers back. Sugar is a special case, partly because of the Commonwealth Sugar Agreement; but the recent decision to make a bulk purchase of dollar Cuban sugar and the announced intention to deration the commodity and to open the way for freer imports suggest that it is now moving towards, if not right into, this category. Most important of all, when dealings in grain are freed later in the year they will probably be treated similarly—British importers will be able to secure their requirements in the cheapest markets, but for some time at least they will be unable to re-export dollar grain to non-dollar countries.

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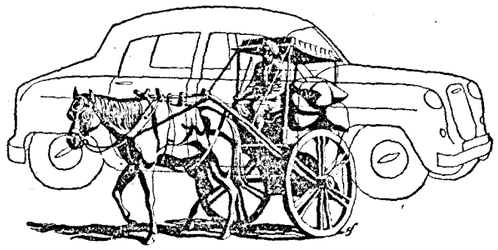
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The technique that is being increasingly used by the British authorities in dealing with commodities bought for domestic consumption is that of the "global" quota. This is a quota for total imports, based on the amount bought in an earlier year, and the potential suppliers have to compete for a share of it. In timber, pulp and paper, for example, these quotas are actively competed for by suppliers in both soft and hard currency countries. As a result, Swedish timber and paper suppliers have had to come down to the prices quoted by their dollar competitors. By the use of a global quota and by abandoning discrimination against hard currency imports, differential prices have been abolished, to the considerable benefit of Britain's terms of trade. These developments in commodity dealings can be regarded as a real contribution to the cause of convertibility—the first group because they represent a form of genuine though localised convertibility, the second because they banish the differential price systems that are the main symptoms of the co-existence of convertible and inconvertible currency groups. The price mechanism is being allowed to work. That is the best and most testing preparation for convertibility.

Another essential preparation for convertibility is the reinforcement of the gold and dollar reserves outside the dollar area. The progress that has been made on this score over the past year has been strictly limited. It is true that the United Kingdom has increased its gold and dollar reserve by $636 million in the eight months to the end of May, 1953 ; but no less than $340 million of this was gold clawed back from EPU. Nevertheless, in 1952 as a whole, Western Europe's gold and dollar reserves rose from $9,880 million to $10,320 million. The movement is in the right direction, but it has a desperately long way to go before any serious consideration can be given to a genuine measure of convertibility. As the IMF pointed out this week in a report prepared for the Economic and Social Council of the United Nations, gold and dollar reserves held outside the United States at the close of 1951 were equal to only 39 per cent of the annual imports of the countries concerned—compared with a ratio of 69 per cent in 1938. The inadequacy of these reserves is heightened by the fact that as the report says "world trade must be considered more volatile now than before the war mainly because the United States has increased the ratio of its imports to total world imports from 10 per cent in 1938 to 15 per cent in 1951."

It seems obvious from these figures that it would take the countries of the non-dollar world many years of stringent internal policies and of discriminatory import restrictions before they could build up their reserves to a level from which a real plunge into convertibility would have sober chances of success. Perhaps the only step that would make genuine convertibility possible in the lifetime of most of those now busying themselves with the "plan" would be a once-for-all revaluation of existing reserves by an increase in the dollar price of gold. Among the many measures now being urged on the American Government—lower tariffs, simpler customs procedure and the rest—this question of the gold price may increasingly be seen as the most important. But meanwhile, although technical measures for some degree of freer payments and trade are going forward, the immediate outlook for this all-important issue does not seem bright.

The Demand for Advances

THERE are many snares and delusions in talking about, and still more in trying to measure, the demand for bank advances. One of the difficulties is that the analyst has only very dubious figures to work with, another is that the demand for advances is by no means independent of the price of advances (that is, of the rate of interest), and yet another is that any analysis in this very tricky field is liable to be misunderstood. But provided one guards against these dangers—both by emphasis at the very outset and by a running commentary as the analysis unfolds—it seems worth while to make the attempt. The main objects of the exercise are to see how closely the movement in bank advances can be correlated with the movement in the estimated value of stocks and work-in-progress in the country ; and to form some idea of the effect of changes in such basic factors as wholesale prices and industrial production upon the queue of would-be borrowers at the banks.

According to last year's national income blue book the total value of stocks and work-in-progress (other than central government trading or strategic stocks) was £6,900 million at the end of 1951. By jobbing backwards and forwards from this figure and applying to it the estimates of stock changes shown in the latest national income white paper (Cmd. 8803), rough estimates can be made of the equivalent figures for stockholdings at the end of each year from 1947 to 1952. These estimates are shown in the first line of Table I. The second line of that table shows the total of bank advances in Great Britain in November of each year ; these figures are drawn from the quarterly classifications of advances published by all members of the British Bankers' Association.

It will be seen that between 1947 and 1951 the ratio between bank advances and the value of stocks and work-in-progress outstanding remained remarkably stable, at between 28.5 and 29.9 per cent ; then, in 1952, as the monetary squeeze developed, it fell fairly sharply to 26.8 per cent. It would be interesting to know how these ratios compare with the pre-war position ; if the ratio now is significantly larger than it was before the war, that might seem to give some support to the often heard (but, by the banks, often denied)

allegation that part of British banks' loans in recent years have gone towards financing things that would formerly have been regarded as requiring something more permanent than floating capital.

In the absence of reliable prewar figures, all that can be said is that there is no evidence from Table I that the increase in Bank advances in the last five years has indeed been greater than the increase in industry's working capital commitments would seem to have demanded. Of course this is not to say that the government should not have used the monetary weapon earlier to ensure that these working capital commitments did not soar out of hand; but that is another story. It is also worth drawing attention to the absolute level of the figures involved. Since some bank advances (for example, in the personal, professional and financial groups, which accounted for some £550 million of the £1,815 million of advances outstanding at the end of 1952) obviously do not finance transactions that are connected with stockholdings or work-in-progress,

TABLE I—STOCKS AND BANK ADVANCES
(£ million)

	1947	1948	1949	1950	1951	1952
Stocks and work-in-progress outside central government sector (end year)	4,285	4,779	5,122	5,699	6,900	6,763
Bank advances in Great Britain (end November)	1,219	1,380	1,533	1,683	2,016	1,815
Ratio of advances to total stocks	*28·5*	*28·9*	*29·9*	*29·6*	*29·2*	*26·8*

the proportion of industry's working capital commitments that is financed by bank advances must be considerably less than one quarter.

What, however, of the effect of changes in working capital commitments on changes in advances? In the first, fourth and fifth lines of Tables II the figures derived from Table I are shown in a different way. It will be seen that in four of the last five years the ratio between the increase in bank advances and the increase in stockholdings has lain between one quarter and one half. The exception was 1952 when, thanks partly to the new monetary policy, the fall in bank advances was actually some 47 per cent greater than the total fall in working capital commitments. Moreover, in 1952, the clearing banks' holdings of commercial bills fell by £116 million; in other years they probably rose.

The working capital commitments that were not financed by bank advances or bills had, of course, generally to be met out of retained profits. The second line in Table II shows the excess of new savings in the private sector (this time, excluding the local authorities) over the fixed investment outlays in that sector; the figures, incidentally, include as part of industry's floating capital the sums that had to be held in reserve for future tax and dividend payments. There are considerable pitfalls in the way of any analysis based on this figure. There is, for example, a temptation to add in the sums that industry raised by new issues on the long-term capital market to the total of available resources; that, of course, would be wrong, for new issues were mainly a way of transferring funds within the private sector—from those who had liquid funds to spare to those who had not. In the same way, there is some element of double counting between the sums available to the private sector (line 2 of the table) and the sums used for bank advances (line 4). A simple way of looking at this is that some of the available funds in the private sector were held in bank deposits and these funds were utilised by the banks in making their advances; a more sophisticated way of looking at it is that some of the spending made possible by bank advances swelled the incomes (and thus the available funds) of suppliers in the private sector. But there is no need here for nice verbal distinctions about which chicken came before which egg. In any case, in three of the five years in the table, some of the increases in bank advances were "paid for" by some repayment of central government debt to the

TABLE II—CHANGES IN STOCKS AND BANK ADVANCES
(£ million)

	1948	1949	1950	1951	1952
Changes in stocks and work-in-progress outside central government sector	+494	+343	+577	+1201	−137
Private sector's excess of total receipts over consumption and fixed investment outlays	+221	+140	+486	+830	+470
Apparent need for working capital	+273	+203	+ 91	+371	−333
Changes in bank advances*	+161	+153	+150	+333	−201
Ratio of change in advances to change in stocks	*32·6*	*44·6*	*26·0*	*27·7*	*146·7*

* Year to November.

banks; the banks in those years became a mechanism for passing on the surplus savings in the central government sector to the finance-hungry private sector, and in other years (when there were no surplus savings to spare) there was some inflationary creation of finance.

It will be seen from the third line of Table II that there is a reasonably close correlation between the funds that the private sector needed to borrow and the increase in bank advances. Thus, in 1948 the private sector was in apparent need of £273 million of new funds and it got £161 million in bank advances; in 1949 it was in apparent need of £203 million and got £150 million, and so on. The correlation between these separate sets of figures cannot be complete; to make it so, it would have to be possible to strike out of the table the elements of double-counting described in the previous paragraph, to make allowances for bank advances that do not finance stockholdings, to make allowances for the government and foreign funds that became available for finance of the private sector through media other than the banking

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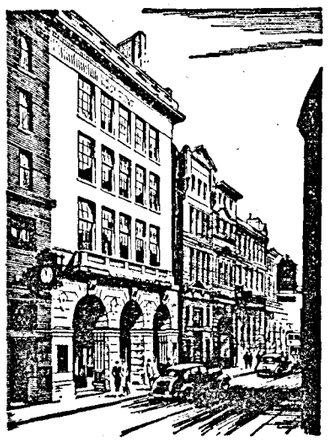
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system, and then to take account of the sums raised by the private sector's sales to other sectors of stock exchange securities and so forth. But as we cannot undertake this arithmetic with the figures available, Table II will have to do. Its interest lies, not so much in the obvious and expected fact that there is a statistical connection between the movement in bank advances on the one hand and the movement of stockholdings and of the private sector's excess of savings over fixed investment outlays on the other, as in the light that it throws on the quantitative importance of the different factors involved.

The most important factor is the huge swing in working capital requirements that can be caused by a relatively small increase in prices. With stocks at their present level, a 2 per cent increase in prices can lead eventually to a demand for some £135 million of working capital, of which between one quarter and one third might "normally" be provided by the banks. In fact, however, the rise in wholesale prices was no less than 61 per cent between the end of 1947 and the end of 1951; as Table III shows, wholesale prices rose by about 8 or 9 per cent in 1948 and 1949, but by considerably more in 1950 and 1951. Then, in 1952, wholesale prices showed their first fall for many years. The second line of Table III shows the effect that these price changes should have tended to exert on working capital commitments when they had worked themselves through—that is to say, when all the stocks that had been bought at old prices had to be replaced at new ones. The third line of the table shows the estimates of stock appreciation in each year that are set down in the latest national income white paper.

TABLE III—INCREASE IN WHOLESALE PRICES

	1948	1949	1950	1951	1952
Per cent increase in index of wholesale prices during year	+ 8½	+ 9	+ 21	+ 13	− 1
Potential increase in need for stock finance (£ mn.)	+340	+430	+1075	+740	− 69
Actual stock appreciation (£ mn.)*	+300	+250	+700	+900	*Nil*

* Including appreciation in central government's stocks.

There are, of course, important differences—including a difference of time lag—between the estimates shown in the second line of Table III and the estimates in the national income white paper (shown in the third line of the table). The national income figures for stock appreciation show changes (between the beginning and end of the year) not of current wholesale prices but of the prices at which stocks are valued for balance sheet purposes. But, since all stocks are not being replaced all the time, there is also an important time lag between the published movements in wholesale price indices and the movement in demand for bank advances; with one eye on the wholesale price index and the other on the effects of this time lag, it is possible to go some way towards forecasting the trend in demand for advances. As an indication of current trends, it should be remarked here that the Board of Trade's index of wholesale prices has risen by just under one-half per cent in the first five months of 1953.

The second major factor that has an effect on the demand for stock finance is the physical increase or decrease in stock volumes. The biggest movements in the physical volume of stocks in the past five years were the increases of 7½ and 3½ per cent in 1951 and 1948, and the fall of 4 per cent in 1950; in both 1949 and 1952 there was very little movement in the volume of stocks at all. At first sight it might be expected that changes in the volume of stocks and work-in-progress would accord closely with changes in the current index of industrial production. In fact, however, there is no real evidence of such correlation (except in 1952); the effect of changed expectations about prices on industrialists' purchasing policy has seen to that. Moreover, the net increase of approximately 7 per cent in the volume of stocks and work-in-progress between the end of 1947 and the end of 1952 is significantly less than the concurrent increase in the index of industrial production, although it does seem to correlate fairly closely with the concurrent increase in the real value of gross domestic product. Because of the maldistribution of stocks during the period of Daltonian (and even of neutral) monetary policy, it is therefore difficult to regard these earlier figures as conclusive evidence that the absolute level of stocks in Britain today is too low. But there seems little reason to suppose that it is still too high. For the immediate future, therefore, it should probably be expected that if industrial production rises (as the Treasury hopes and expects it will do) then demand for stock finance is likely to increase broadly in line with it.

This analysis has taken no account of the seasonal pattern in demand for bank advances; nor of the distortions caused by the habit of certain nationalised and other industries of running up their indebtedness to the banks and then repaying it at one fell swoop out of the proceeds of a periodical new issue; nor of the effects (very marked at the moment) of such things as the return of commodity markets from governmental to private hands. But these are ephemeral influences. The main object of the article has been to draw attention to the huge volume of stocks and work-in-progress in the British economy at present day prices and in conditions of full employment; and (given that) of the effect that can be wrought on the demand for bank advances by changes in wholesale prices that are by no means abnormal by either prewar or postwar standards. The level of wholesale prices is, of course, considerably affected by the nature of monetary policy and of the banks' lending opportunities; there are, therefore, some elements of a vicious circle in analysis here. But the sort of arithmetic that has been set down in this article seems to deserve closer analysis by British bankers nevertheless.

Monetary Policy in the Dominions

THE violent fluctuations in the balance of payments of all the sterling area dominions during the past eighteen months have posed problems of domestic monetary policy for each of them. On the one hand, monetary policy had clearly to play its part in reducing domestic demand, and thereby their imports. On the other hand, the large deficits incurred by several of them, especially in the first half of 1952—when export proceeds had fallen sharply from their post-Korea peak, but when imports were still running at high levels—so depleted their international reserves as to impose a considerable strain upon the liquidity of their banking systems. This depletion of reserves represented, of course, the "natural" means of curtailing the excessive level of domestic demand. But in certain cases, despite the need for this curtailment, steps were taken to cushion the impact upon the banks' lending policies of the drastic fall in their liquidity.

This strain upon the liquidity of the banking system was especially marked in Australia. The drain there reached its peak in August, 1952, by which time the deposits of the trading banks had fallen by no less than £A183 million in the space of eight months, whereas advances had risen simultaneously by £A66 million, thereby raising their ratio to deposits from 50 per cent to 65 per cent. Even by December, 1952, deposits were still £A95 million down on the year, at £A1,147 million. This severe deflation of credit was, of course, the direct result of the drain upon London funds. During the twelve months to June, 1952, Australia's international reserves fell from £A843 million to £A362 million. As this deflation proceeded the Commonwealth Bank intervened to prevent too great a fall in the banks' liquidity, and released considerable sums from the trading banks' Special Accounts. These had reached a peak of £A570 million, at the equivalent of 46 per cent of total deposits, in June, 1951; but by November, 1952, they had been reduced to the low point of £A156 million, or 13.5 per cent of total deposits. These releases from the "frozen" part of the banks' assets enabled them to avoid a drastic reduction in their advances during the period of large deficits on the balance of payments. At the same time the trading division of the Commonwealth Bank seems to have shaped its own advances policy so as to give a lead to the other banks in avoiding too swift a contraction.

The wisdom and orthodoxy of this cushioning operation have inevitably been called into question. It is only fair to note, however, that two features of the Australian banking legislation passed last August seem likely to force the Commonwealth Bank to rely more on orthodox monetary weapons and less on direct control of the trading banks in the future. One was the separation of the daily administration of the Commonwealth trading bank from the central bank; the other was a limitation of the Commonwealth Bank's power of calling the trading banks' assets into special accounts. The special account balances have, in any event, now been reduced to a fairly low level—despite their recovery during the 1952-53 export season, a movement that had raised them to £A276 million by the end of April. This recovery was of course associated with the recovery in Australia's international reserves; by May, 1953, these had risen by some £A160 million from their low point in June, 1952. At the same time there has been a notable upswing in deposits combined with a decline in advances. Hence, by March, 1953, the ratio of advances to deposits had fallen to the more normal level of 47 per cent.

Meanwhile, the drift towards orthodoxy in Australia has also been discernible during the year in other aspects of monetary policy—notably in the abandonment of qualitative credit controls (except where these were necessary for purposes of capital issues control). There was also some increase in long-term interest rates. The long-term Government loans floated in November, 1952, and in March, 1953, were at 4½ per cent—compared with the 3¾ per cent of basis of the loan placed in November, 1951; and there has been a corresponding increase in the rates offered by recent semi-governmental loans. Rates paid on savings bank deposits and allowances on time deposits at the commercial banks were raised in August, 1952, and in that month also the Treasury bill rate was raised from ¾ to 1 per cent. The maximum rate charged on advances was raised from 4½ to 5 per cent in August, 1952—though this is no longer a legally enforceable maximum, but is now fixed voluntarily by the trading banks. The short-term money rates, it will be seen, are still below the levels ruling in the United Kingdom and in several other sterling countries. The revival of monetary policy in Australia seems to have progressed so far as the gilt-edged market but to have taken only tentative steps beyond it.

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In New Zealand, as in Australia, the balance of payments continued in heavy deficit up to the middle of 1952. But fluctuations in the incomes of primary exporters—and thus in their demand for imports—were less severe than in Australia, thanks to the operation of marketing boards and the wool retention scheme. The total deposits at the trading banks fell from £262 million at the end of 1951 to £250 million at the end of 1952, while advances declined from £154 to £142 million as stocks of imported goods fell to a more normal level. At their peak in March, 1952, advances had touched £195 million. The decline in bank liquidity became serious only in March, 1952, after which the banks' cash balances were benefiting from the recovery in the balance of payments. The New Zealand banks' cash reserves

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have remained substantially in excess of their statutory obligations; but the raising of the statutory reserve ratios for the first time in August, 1952, and again in May, 1953—together with the banks' brief experience of severe stringency in early 1952, and the informal control exercised by the monetary authorities by means of "consultations" with the trading banks—have contributed towards the cautious attitude to advances shown in recent months. Only slight reliance, however, was put upon the interest weapon. The maximum rate payable on deposits by building societies was raised to 3½ per cent (for the longest-term deposits), and by the end of 1952 the yields on New Zealand Government securities had come into line with those of other sterling area Governments—after being as much as ½ per cent lower than those of comparable stocks in other sterling countries a year earlier. But the New Zealand authorities showed evident reluctance in this upward adjustment of rates on governmental and other public loans. Their hesitancy in this respect—beside which the tactics of the Australian authorities appear almost bold and unequivocal—not unnaturally resulted in the undersubscription of several such loans.

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In South Africa, too, the first half of 1952 saw a large external current deficit, followed by an improvement in the second half of the year; and here, likewise, there were sympathetic—though much less violent—fluctuations in the domestic supply of money. Bank deposits fell from £379 million in December, 1951, to £362 million in May, 1952, and then recovered to £394 million in December, 1952. Advances fell almost continuously during the period, from £205 million in December, 1951, to £184 million in December, 1952. This contraction in advances was associated with a rise in interest rates to relatively high levels. The rediscount rate of the Reserve Bank was raised from 3½ to 4 per cent in March, 1952, involving a simultaneous increase in the commercial banks' overdraft rates from 5 to 5½ per cent and appropriate increases in the rest of the interest rate structure; whilst in August, 1952, the rates paid on fixed deposits by the commercial banks, and the rate on six-month and twelve-month Treasury bills were raised further. Bill rates were again increased in May, 1953.

These changes represented a more definite step towards monetary orthodoxy than anything that occurred in the other Southern Dominions. Nevertheless, in South Africa as in Australia and New Zealand, some cushioning of the impact of the external deficit upon the liquidity of the banking system was felt to be necessary during the first half of 1952. One way in which this relief was secured was by means of substantial rediscounting of commercial and Treasury bills at the Reserve Bank. This resort to such an orthodox method of relieving a credit stringency is worth noting, as rediscounts at the South African Reserve Bank have not often reached any substantial scale. Another—though later—point of interest in South African banking technique is that the improvement in the balance of payments in the second half of 1952, and the simultaneous re-expansion of the deposits of the commercial banks, led these banks substantially to increase the volume of their funds held with the National Finance Corporation—a reflection, presumably, of the check administered to demands for advances. Bank funds deposited with the Corporation reached a peak of £20½ million in August, 1952, in which month the interest paid on such balances was raised from 1⅛ to 1⅜ per cent. This experience seems to indicate that the Union is having some success in developing a rudimentary call loan market.

In India, the movement towards monetary orthodoxy was at least as marked as in South Africa. During 1952 interest rates in India were stiffened considerably. The issue of Treasury bills was revived in September, 1952 (after a lapse since December, 1949), and the average rate of discount on them rose subsequently from just over 2 per cent to nearly 2.35 per cent by the end of January, 1953. The effects of the stiffer monetary policy, which began with the raising of Bank rate to 3½ per cent in November, 1951, were having their full impact upon the Indian economy at the same time as it was feeling the force of the fall in export receipts. Total deposits of the scheduled banks fell from Rs. 872 crores in December, 1951, to Rs. 848 crores in May, 1952, but they recovered slightly to Rs. 853 crores by December, 1952. As in other dominions, however, some relief was given from the pressure upon domestic liquidity occasioned by the overseas deficit. This was achieved by the rediscounting by the Reserve Bank of usance promissory notes or bills drawn and payable in India. This departure has proved to be an outstanding success in its first year of operation. During this period Rs. 81½ crores were advanced by the Reserve Bank by discounts at ½ per cent below Bank rate. The granting of these rediscount facilities (made available for a much wider range of bills than had previously been accepted) not only provided an effective way of relieving the strain on liquidity caused by the external deficit, and especially the seasonal strain, but constituted a means whereby

INTEREST RATES IN CERTAIN STERLING COUNTRIES

	Yield on long-term government securities		Bank rate		Three-month Treasury bill rate		Interest on savings bank deposits		Interest on three-month deposits with commercial banks	
	End 1951	End 1952	End 1951	End 1952	End 1951	End 1952	End 1951	End 1952	End 1951	End 1952
United Kingdom	4½	4½	2½	4	½	2½	2½	2½	½	2
South Africa	1½	4½	3½	4	1‡	1½‡	2½	3	½	1½
India	3½	4	3½	3½	–	2½	2	2	2	2½
New Zealand	3½*	4½*	1½	1½	1	1	2½	2½	½	½
Australia	3½†	4½†	–	–	½	1	2	2½	½	1
Ceylon	2½	3	2½	2½	½	1	1§	1§	½§	½§

* In New Zealand. † In Australia. ‡ Rate for six-month bills; no rate issued for three-month bills until May, 1953, when it was fixed at 1⅛ per cent and rate for six-month bills raised to 2 per cent. § Minimum.

the Reserve Bank could effectively make its policy known and felt through the short-term money market.

It is interesting to note that during 1952 such a financially undeveloped country as Pakistan followed India's example in providing wider rediscounting facilities ; by the end of the year some Rs. 17 crores of advances upon commercial bills had been sanctioned by the central bank. The decline in export proceeds in 1952 was even more serious in Pakistan than in India, partly because of the overvaluation of Pakistan's rupee at present export prices. Despite the maintenance (that is, the subsidisation) of the prices paid to primary producers by the Government of Pakistan, bank deposits in Pakistan declined from Rs. 150 crores at the end of 1951 to Rs. 140 crores at the end of 1952 and there was considerable stringency in the money market. The scheduled banks' borrowings from the central bank rose to Rs. 13 crores at the end of June, 1952, and then declined up to November, 1952, after which they increased again with the onset of the busy season. In the early months of 1953 the drain on Pakistan's foreign reserves had become so severe that the government resorted to the highly unusual step of ceasing to publish figures for them.

In Ceylon, the drastic fall in export receipts led to a decline of Rs. 375 million to Rs. 837 million in external assets during 1952, but an expansion of Rs. 217 million in bank credit extended to the government sector went far towards offsetting the effects of this decline upon the domestic credit situation. Even so, bank deposits fell from Rs. 817 million to Rs. 725 million during the year. The cheap money policy was maintained, and the very low yields on long-term Government securities (at 3 per cent) and on Treasury bills (at just under 1 per cent) rose only fractionally in 1952.

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In sum, there have been signs that many of the Commonwealth countries have, in different ways, and with varying degrees of conviction, been feeling their way towards techniques suitable for their particular environments. Now that the period of general "cheap money" policies seems to have passed, conditions in these countries—in view especially of the wider markets for government securities and the growing diversification of their economies—may be more favourable than ever before to the growth of central banking control by rediscounting and open market operations. At the very least, there can be no excuse for their being lulled into any easy and complacent scepticism about the usefulness of monetary weapons based upon misreading of their experience in the very different situation in the 1930s—or even of the very special conditions of the late war and immediate postwar periods.

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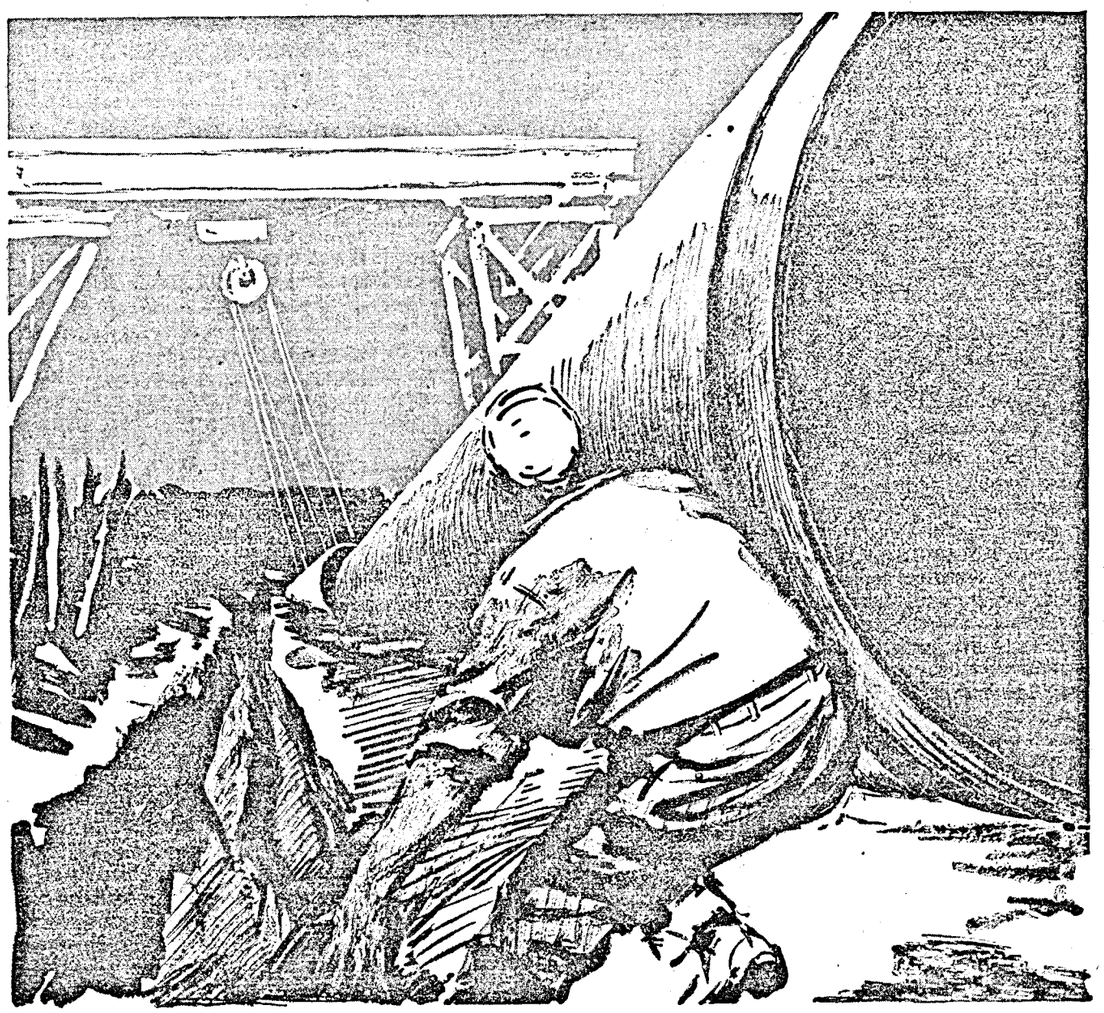
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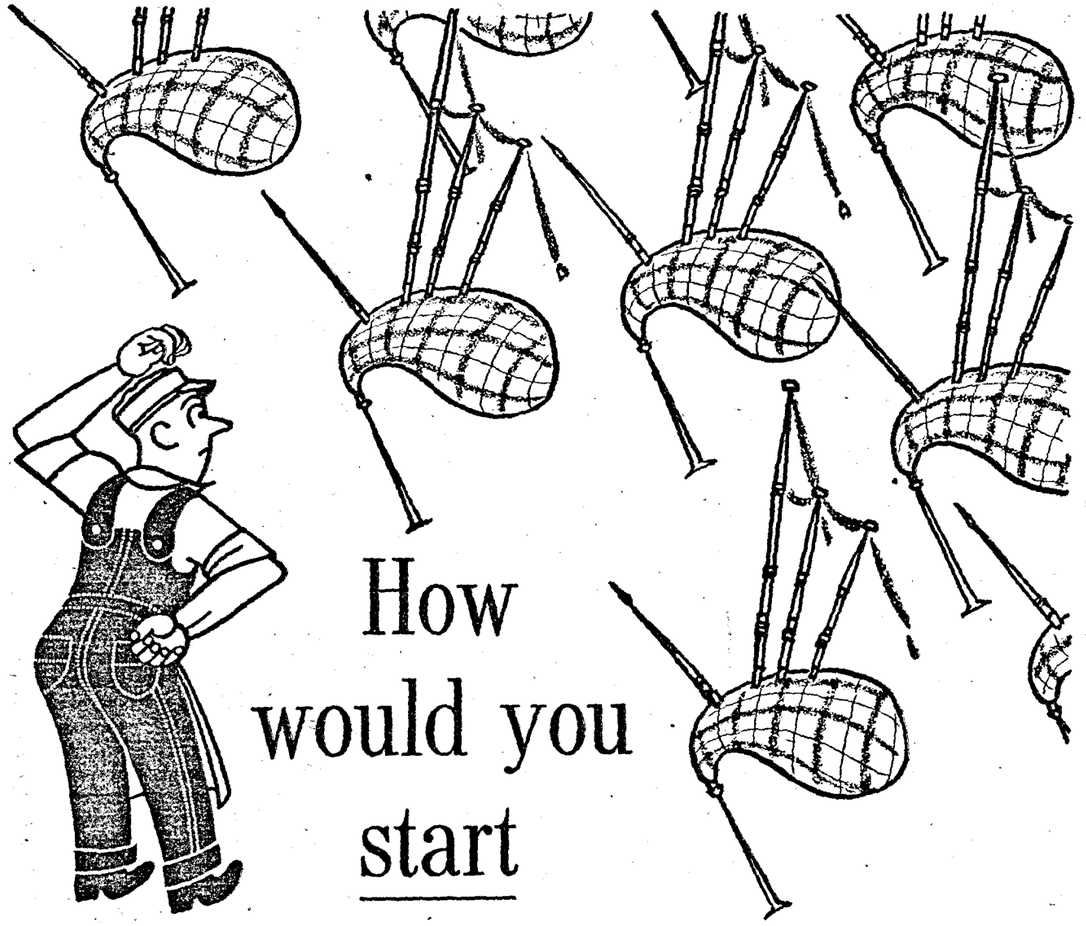
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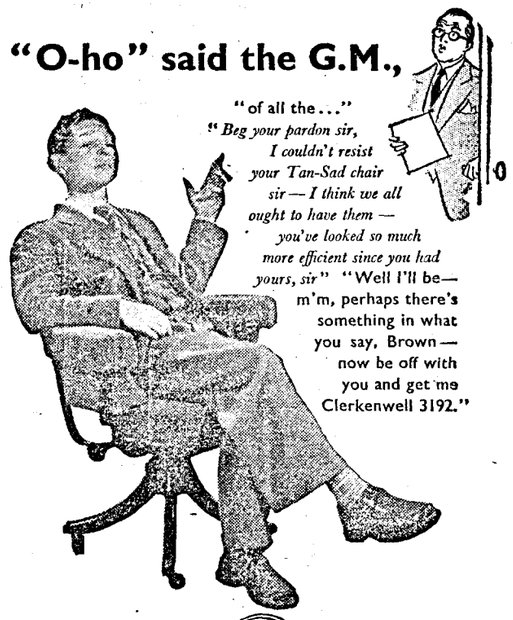
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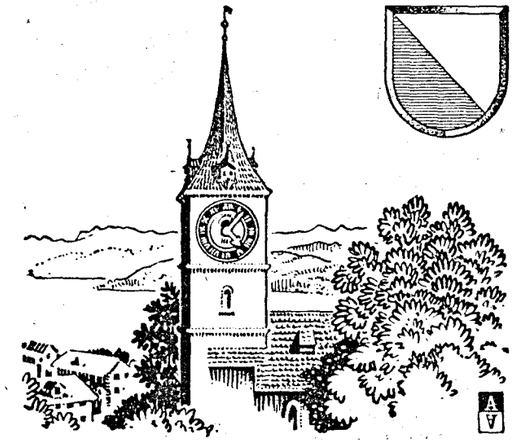
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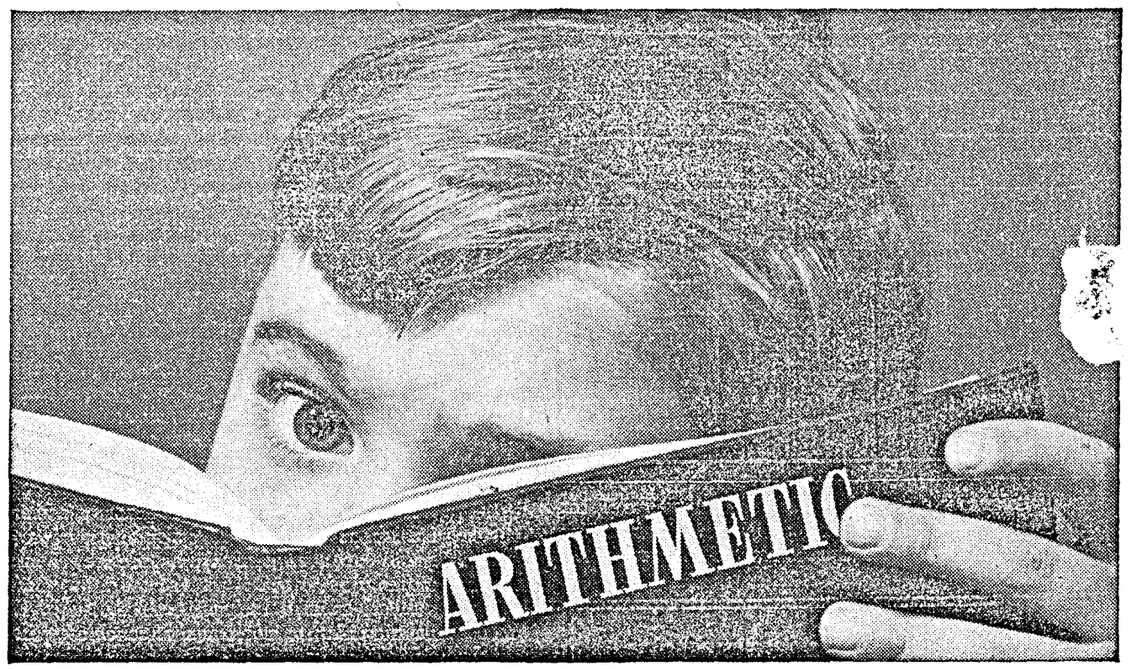
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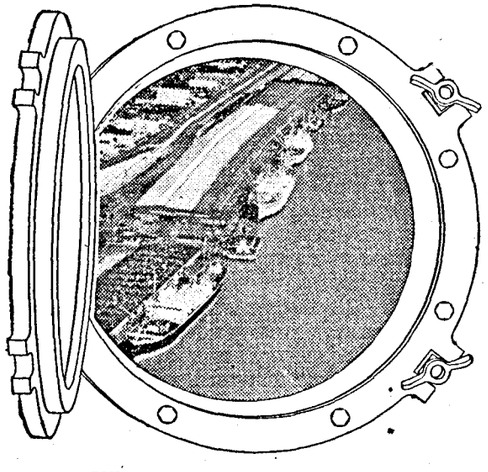
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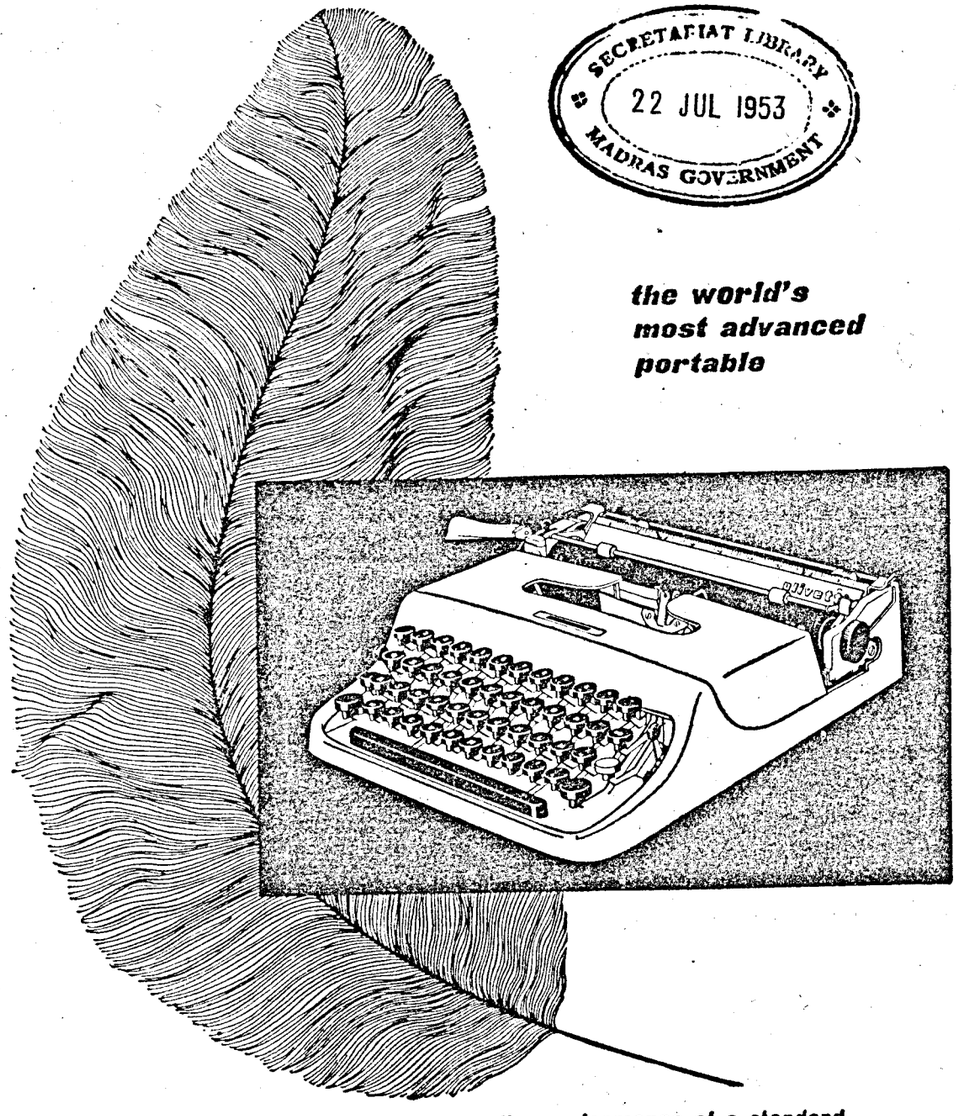
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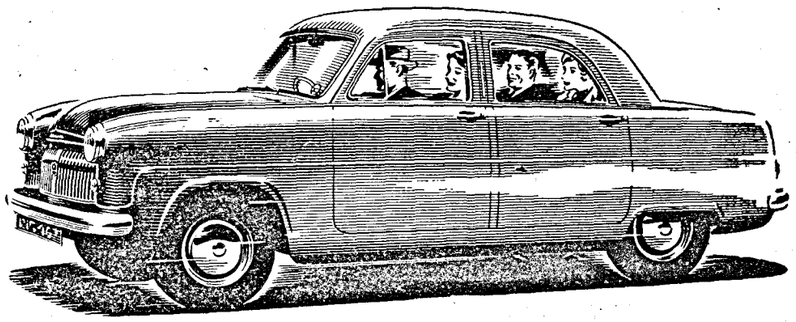
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The Reconstruction of Policy

THE diplomacy of the western powers has fallen behind the march of events. To say this is not to imply that any disasters have occurred or that any are impending. But it is clearly no longer the case that the free and allied powers are working together on an agreed plan and bending events to their purpose. They rather seem to be proceeding by expedient on divergent courses to a goal that is in doubt. Their own initiatives—whether it be in "trade not aid" or in organising collective defence—are, at best, limping. When the initiative is taken by the sudden shifts of Soviet policy, or when something just happens, western policy is taken by surprise. Whether the event be a point scored or a point lost, whether it be revolt in East Berlin or treachery by Dr Rhee, it is scored or lost by accident. There have always been critics in the western countries—critics of the policy and critics of the allies with whom that policy is pursued—but in recent months the governments in Washington, in London and in Paris have seemed more concerned to concede points to their disruptive critics than to carry them along. The Bermuda meeting was originally proposed for domestic reasons by a desperate French Prime Minister; but it has grown into something more. It is, or ought to be, an attempt to reconstruct a policy.

Perhaps the best way of seeing clearly what has gone wrong is to go back to the last time the western powers can be said to have had a consistent policy which they were pursuing in unison. That was in the days of Mr Acheson and Mr Bevin. For all their difficulties and their mistakes, they were operating an effective alliance with a working agreement on the policy of containment. The name has, for inevitable reasons of domestic politics, been much abused. But there can be even less doubt now than there was at the start that it was the right policy or that it has been on balance successful. Revolutionary aggressive Communism has been contained, without a world war.

The weakening of the policy since those days is partly a reflection of its success. There is no cement of alliance to compare with fear, and as the tidal wave of panic retreated, differences in national psychology and national preoccupations began to reappear. These were worked on and enlarged by party politics. In America, the Republicans attacked the Democrats for being weak and gullible in their handling of Communism, with the result that they took away from Mr Acheson all his freedom of movement and that Mr Eisenhower must at all costs prove himself to be firm and incredulous. In Britain, Sir Winston Churchill was attacked as a warmonger, with the result that the Conservatives are determined to prove themselves the peace party. The gap thus opened up has been enlarged by the impact of the "new look" in Moscow. The reaction has not been unanimous on either side of the Atlantic, but American opinion has tended to regard the change of tone in the Kremlin as a trick, or alternatively as a response to Allied pressure, while European opinion, whatever it may logically believe, cannot resist the temptation to see in it a real change of heart.

The result is that there are two distinct attitudes in western public opinion today. Europeans are encouraged to believe that there is a hand outstretched from Moscow which has only to be grasped for the cold war to be over. Americans are encouraged to believe that, with firmness producing such results, the obvious need is for more firmness. In these circumstances, the major task of statesmanship is in the field of psychology. To work out an agreed policy may not be too difficult, for the governments are still acting together and the practical views that the statesmen express in private are very much closer together than the generalities that they think it prudent to utter in public. What is more urgently needed is to rebuild for the agreed policy the necessary foundation of public support. This will be much more difficult, if only because it requires each leader to swim against the present tide of opinion in his own country, to plead with his own people the cause of his allies' views.

★

The line that any agreed policy takes must depend on the view that is held of the eventual way out of the *impasse* of the cold war. The tactics cannot be concerted until the strategy is accepted. In point of fact, this is not likely to be as difficult a requirement as it might appear. For on a sober and realistic analysis, both of what might be called the two extreme policies for ending the cold war will be found to disappear. One of these is the "showdown" thesis—the doctrine that the Russians should be confronted with something like an ultimatum and bidden mend their ways or else. The main difficulty about this thesis is that it would not work. If a challenge is thrown down to the Kremlin, it will be picked up, leaving the West with the choice between humiliation and war. The second defect of the policy is that, even if it would work, it could not be carried out by a loose alliance of democratic governments. Throwing down challenges is dictators' stuff. He who plays the game must not only have iron nerves himself, he must be able to rely on an absolutely solid, or completely controlled, public opinion. Certainly we cannot play it.

The other extreme of strategy for ending the cold war is to sit down at a table with the rulers of Russia and haggle out a final and comprehensive settlement with them of all outstanding difficulties. It is an attractive idea. But unfortunately it, too, is a daydream of the impatient. There are, in fact, two separate hurdles on the way to accomplishing it. First, is there any reason to believe that the Communist rulers are prepared to sit down to an honest attempt to strike a real bargain? The list of the "concessions" they have made since Stalin's death is now long enough to be quite impressive. But so far none of them affect the substance of Soviet external policy—that is to say, the changes that are substantial are internal, and those that are directed towards the outside world are no more than gestures.

Suppose, however, that we try it out and find that they are ready to sit down at the bargaining table. The second hurdle still remains: what are we to bargain about? There is absolutely nothing whatever in the events in Russia since Stalin's death to suggest that his successors are prepared to give away any of their vital positions except in return for something that they consider of equal value. To make the West feel really secure, they would have to give away a very great deal—their control over their satellites, their machinery of propaganda and agitation, the bulk of their armaments. Does anybody seriously think that they would go so far? Does anybody seriously think that we could be satisfied and secure with anything less? And what concessions do we have it in mind to offer as the price of all this, or even of one-tenth as much?

The plain fact is that neither of these extreme policies—neither the one that can be caricatured as sabre-rattling nor the one that can be caricatured as appeasement—stands any chance of working. The one would run a grave risk of immediate war. The other cannot be expected to work until mutual confidence has been slowly rebuilt by a long period in which both sides in fact refrain from aggression, open or covert, against the other. In the meantime the only possible policy is to go on as we have been going, or rather as we set out to go four or five years ago, doing nothing to provoke a conflict, ready to explore every genuine prospect of agreement, but actively preparing to deter any attack on the present borders of the free world.

The task of Bermuda, in short, is to reconstruct the Acheson-Bevin policy—though Mr Eisenhower and Sir Winston Churchill may perhaps be excused from describing it in those words. Both the Americans and the British have something to contribute to such an endeavour. If the President were to argue that American policy is right in *substance*, it would be difficult to quarrel with him. Firmness has worked. On the other hand, if the Prime Minister were to argue that a much greater suppleness is needed in *presentation* of the policy to the world, it would again be impossible to gainsay him. On Capitol Hill, Mr Eisenhower may be attacked for being too weak; but everywhere else in the free world, American policy has been losing friends because it is thought to be too stiff, too rigid, too inhuman, incapable of conceiving of any issue to the struggle save the unconditional surrender of the enemy. This, of course, is a travesty; but it is a misrepresentation that the Americans themselves have abetted by the need to appear uncompromising in what they say at home. If what is needed of the Europeans to keep the alliance alive is a reaffirmation of their willingness to stand firm and resist the siren voices that call for appeasement and an easy life, then what is required of the Americans is that they should pay more attention to the desperate longing of the ordinary man for peace and quiet, that they should take more trouble to make it clear to all the world that they do not want to smash the Russians if there is any other honourable and

enduring way of making the world secure and free.

The basic strategy, then, should continue to be that of containment, the middle course between provocative challenge on the one hand and weak appeasement on the other. It is perhaps worth giving some indication of how it could be applied in the two areas of greatest immediate concern, in the Far East and in Europe.

In the Far East, until the moment of Synghman Rhee's criminal treachery, the middle course has in recent weeks at last shown signs of working out. In any event, the lines of a workable policy are henceforward clear. The policy of the truce, of accepting things as they are, has been accepted by both sides in Korea and the next step should clearly be to extend the principle to the rest of the Far East. That involves no final commitment to acquiesce in the permanent disappearance of China behind the iron curtain; but it clearly implies that abandonment of any thought of trying to unseat Mao Tse-tung by war. Similarly, it implies nothing about the permanent status of Formosa, but an agreement that its present status shall not be disturbed by force. Save for the large question-mark hanging over Indo-China, there is now reason to believe that the Communists would accept a *modus vivendi* on these lines. And profoundly unsatisfactory as it is in many ways, it should also be agreeable to the United Nations. The chief obstructions in the way are the stubborn refusal of American opinion to admit that the Communists do effectively rule China and the no less stubborn refusal of the rest of the free world to admit that they do not rule Formosa. As was suggested in these columns two weeks ago, the obvious solution is to make these obstinacies cancel each other out.

★

The problem of Europe is virtually identical with the problem of Germany, and if it is less immediately dangerous than the Far East, it is likely to be far more stubborn. It is here that the policy of the middle course meets its severest test. Both the extremer policies have their advocates. For example, there are those who preach the doctrine of liberation of the satellites. But the impossibility of carrying a policy of liberation beyond the stage of talk has been sharply illumined by the events of the last ten days in the Soviet zone of Germany. For the first time, there has been open revolt in a Soviet satellite. Moreover, it has happened in full view of western observers, with American, British and French troops close at hand. If there is anything in "liberation," was not this the golden opportunity for action? But what action? And the answer surely is that no action was possible. The Berlin riots are a propagandist's godsend; they should be exploited to the full in what is *said*. But it is clear that nothing could have been *done* without running the real risk of immediate war. The moral is clear. We can refuse to accept the enslavement of the peoples of Eastern Europe or the arbitrary re-drawing of their frontiers by Moscow. We can make it clear that a condition of any general settlement is the holding of free elections. But we must equally make it clear that we shall not be the first to send our forces across the truce line.

The other extreme also has its advocates and its attractions. A great many problems would be solved if only it were decided to give up the attempt to fit a democratic Germany into the western alliance and to abandon Dr Adenauer. But what would happen if we did? Those who think that Germany could simply retreat into a neutral vacuum are deceiving themselves. Ever since the days of Potsdam it has been perfectly clear that, if Western Germany is not on our side of the fence it will sooner or later (and probably sooner) be on the other. The temptations that an unscrupulous Russian diplomacy could offer would be irresistible—history is full of examples of Russian-German bargains at the expense of other people. The only real choice is between having the iron curtain on the Elbe and having it on the Rhine. It is possible that, in office, the German Social Democrats would face up to this awkward fact; but nothing in their record encourages confidence that they would. The Russians have made it clear that their primary objective for 1953 is to get Dr Adenauer defeated in the coming election. That should be enough to convince the western powers that their interest lies in supporting him. For the next few months, every step in western diplomacy ought to be carefully considered for the impact that it is likely to have on German politics, for it is there that this year's chief threat to the policy of the western alliance lies.

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Nobody would pretend that the policy here sketched out is complete or watertight. It has, as it always has had, gaping holes in the Middle East and in South-East Asia. Nor is it easy to arouse enthusiasm for a middle-of-the-road policy—particularly for one that is familiar enough to have become tedious. It would be much more exciting to strike out on a new line and to promise, by some brilliant stroke of diplomacy, a speedy and a happy issue out of all our afflictions. But there are no patent medicines in politics and a very little quiet thought is enough to discover how much danger, and how little prospect of success, there is either in defiance or in appeasement, either in the "open challenge" policy towards which domestic political pressure is constantly pushing the American Government, or in the "negotiated settlement" policy towards which so much wishful thinking in Britain and Western Europe is inclining. Imperfect and incomplete though it may be, the policy of containment is more practical than these. Its successes have not, indeed, been sensational. From its nature, they have been largely negative; they have consisted in the wars that did not break out, the lines that have not been attacked. The very *détente* that enables the public to

enjoy the luxury of resenting its burdens is the chief proof of success.

The task of Bermuda, then, is one of reaffirmation. The less difficult part will be to agree on the detailed measures to be taken in furtherance of the policy. The more difficult part will be for the President and the Prime Minister to take counsel together how they can rekindle in the peoples of the West the confidence in the policy that domestic politics—in each country, though in different directions—has so largely undermined. For a task of that sort, fortunately, no two men in the world are better equipped.

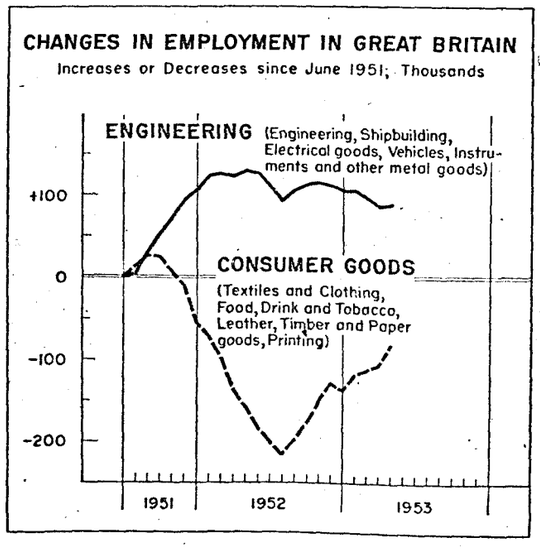
Reflation at Work

THE committee stage of the Finance Bill was quietly completed on Wednesday morning, and the Chancellor has good reason for satisfaction with the case that has been made from the Treasury bench. He was able to assert—modestly but convincingly—that, in relation to the purposes of the Budget, "things are certainly developing in a way which is not entirely unsatisfactory." With this, he was probably understating his case: the case, that is, against his Labour critics who say that the economy is being repressed by too tight a monetary and fiscal policy. In reply, the Chancellor had redefined the purposes of his Budget as being "to increase investment in productive industry and to moderate any deflationary tendency that might militate against the proper and full employment of our people." It is, of course, too soon to dogmatise about the state that the economy is assuming under the influence of the Budget. Changes that began only in the middle of April do not yet have much reflection in statistics. One thing, however, is evident. Before the Budget unemployment was falling by more than is usual at the beginning of the year, and this went on in the month after the Budget.

Employment is now full enough to satisfy even those Labour politicians who think that anything short of the postwar boom is a national disaster. Last month there were, indeed, rather fewer men out of work than at the same time in 1950. The total of men and women unemployed was 340,000 last month and 315,000 in May, 1950. The latter figure coincided exactly with the average for the year 1950. It was, that is to say, typical of the period that Labour apologists have since proudly pointed to as the summit of their achievement, the time of economic stability that was rudely disturbed by the Korean war and rearmament. Mr Butler has already got within 25,000—one worker in a thousand—of the same low level of unemployment, and even these few extra unemployed are women (and therefore not, in most cases, the main breadwinners of their families). No Socialist critic can make a large black mark out of that.

The fall in unemployment is illustrated in one of the accompanying charts. Mr Butler's success in increasing "investment in productive industry" cannot yet be given any such statistical demonstration, but the general impression is undoubtedly favourable. There is evidence that many firms are launching new schemes of investment in plant, equipment and factory-building. How much this has to do with the stimulus of the Budget is open to argument. Certainly there never was anything like the industrial stagnation that the Chancellor's more doctrinaire critics regarded as the inevitable penalty of a 4 per cent Bank Rate. Outside a few industries, with special reasons for depression, last year brought only a little more caution. British industry was not made to flop crippled by the roadside; it was induced to pause to look at the map. There are many signs that it is now going ahead the more confidently.





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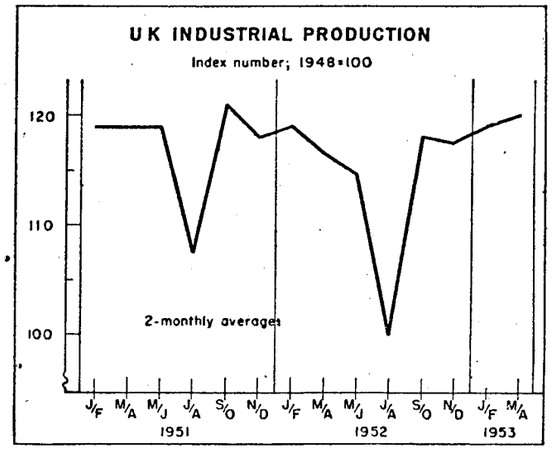
In these matters, stimulating investment and avoiding unemployment, Mr Butler is entitled to his satisfaction. But they are hardly the whole point. He rested his Budget proposals less on the need to reduce unemployment, or even to stimulate investment, than on the scope for raising production—which meant, primarily, improving output per man. Here this year's statistics as yet do no more than confirm the diagnosis. In the accompanying chart, they are plotted as two-monthly averages, in order to eliminate the most casual of the fluctuations in the monthly production figures. An encouraging upward trend at the beginning of the year is clearly indicated. Nevertheless, the volume of production during the first four months of 1953 was only slightly greater than in the same period of 1952; it was almost identical with the production of two years ago, before the disruptions of rearmament took effect.

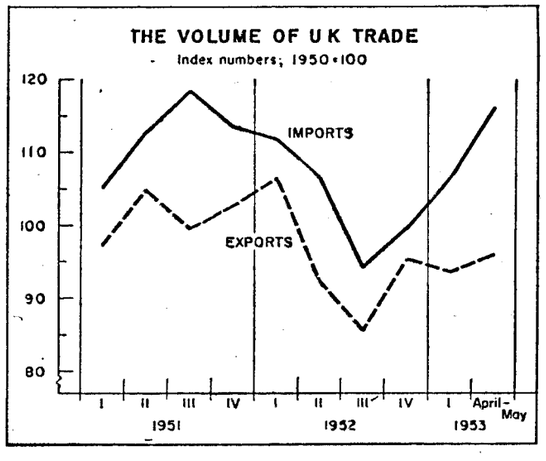
This is disappointing. Some temporary fall in productivity was an almost inevitable consequence of last year's industry readjustments. But by now smooth working should have been restored, and Mr Butler's fiscal stimulus to production ought, therefore, to be showing results soon. The success of his policy can now be seen to depend more clearly than ever on the degree to which production expands. Consumers' demand is undoubtedly buoyant. In this, again, it is too early to try to judge the effects of the Budget; and it is impossible to know how far the Coronation is responsible for a purely temporary buying spree. But the reports of good trade in the shops are widespread. It is at least possible that the country is once again launching itself on a higher level of consumer spending than the economy can support. With investment outlays also rising, a revived inflationary pressure is a clear danger unless production rises to meet the extra demand.

The margin of extra demand that can be met without damage to the economy is certainly slight. When Mr Butler talked about the "proper," as well as the full, "employment of our people" he was presumably thinking of the need to have more labour working on exports and on productive investment at home. But, as another of the charts shows, manufacturers of consumer goods have taken on another 135,000 workers in nine months. Meanwhile, the industry that should have been the beneficiary of expansion—engineering—has lost 41,000 workers since the peak of rearmament recruitment in the spring of 1952. Consumer demand certainly cannot now be allowed to strengthen its pull on the labour force.

★

If demand does continue to rise, without extra production to match it, exports will quickly suffer. Their volume has in recent months declined, as the chart shows, while more imports have been coming in. The balance of payments seems, nevertheless, to be remaining at present in surplus; exports have done quite as well as the more realistic forcasts indicated. This situation could, however, change considerably for purely domestic reasons; it could be changed fundamentally by any slackening of activity on the other side of the Atlantic. On that, however, speculation at present serves little purpose. The first task of the economic policy-makers is to keep a close watch on the domestic front. In April the Chancellor believed that a certain reflation of demand, by means of tax reductions, was necessary to stimulate employment, production and investment. The signs are that the reflation is working. They also suggest that it may be going, if anything, too far; the danger is that inflation will revive. It is in a spirit of vigilance against renewed inflation that the Chancellor ought to stand ready to change course if required.





Opportunity for Adenauer

EVERYTHING that can and should be thought in praise of the workers' revolt in Soviet Germany has now been exultantly said. It will be long remembered as a gallant and astonishingly effective demonstration against despised politicians held in power only by Russian troops and Communist police. It has been made clear to the Russians and to the Communist governments of Eastern Europe, by disorders in Czechoslovakia as well as in Soviet Germany, that the dictatorship of the proletariat can be challenged by the workers it claims to represent if they find their conditions of life and work getting more and more intolerable. Nothing more damaging to Communist prestige has happened since the war. The fact that German workers, only eight years after Hitler's death, are being hailed as the champions of freedom, must have consequences for the future that are unpredictable. What is important for the moment is that the events of last week are already having potent effects in Western as well as Eastern Germany.

Firstly, the East German Communists have been forced into public repentance for their own terrorist methods. They must now pursue a more moderate policy and it can be only a matter of time before Christian Democrats, Liberals and representatives of other non-Communist parties appear in a reconstructed government. The first moves in this direction had been taken by the Russians before the demonstrations, and the sense of impending changes in Communist rule must have strengthened the determination of the workers to make their claims heard. It seems likely that the Russians decided some weeks ago that Ulbricht or Grotewohl, or both, must be called to heel before any attempt to reopen four-power negotiations was made. They doubtless hoped to take a little time over this correction of their protégés; instead they find themselves overtaken by events. Secondly, it is clear that the Russians will not be easily deterred from their policy of appeasing the Germans. The behaviour of their troops in Berlin suggested that Moscow had ordered the utmost possible restraint. Thirdly, the Russians and the Communists of Eastern Germany must now approach the business of getting German unity—if that is what they have in mind—with much reduced confidence and prestige. What they had boasted they could bring about in Western Germany—a revolt against Dr Adenauer and his western policy—has happened to them in Eastern Germany.

This turning of the tables has had a lightning effect on the politicians—not so much on the people—of Western Germany. Here, suddenly, in the opening stages of the election campaign which is to decide in September for or against Dr Adenauer, comes the evidence that things which seemed impossible may now be possible. The process of Sovietising Eastern Germany has been not merely checked but in some respects reversed, and the Russians may yet throw over their German allies in order to pursue new tactics towards Germany and the West. It even seems possible, after what has happened in Austria, that free movement between the western and the Soviet zones will be allowed. If so, the western powers could claim that party activity on an all-German basis should become possible and one of the main obstacles to free elections would be removed. That, at any rate, is the way some politicians in Bonn see the future. To the Social-Democrats the East German revolt must seem a heaven-sent election opportunity. Were they not right, they can now say to Dr Adenauer, to stand firm for German unity against his policy of integration with the West? (They do not admit that this policy is a main reason for the present Russian tactics.) Herr Ollenhauer can now claim that men of all parties are behind the demand for a return to four-power consultation on German affairs.

These are revolutionary developments, which could gravely embarrass Dr Adenauer if they were mishandled by his colleagues and allies in the West. At a moment when the cause of Western European integration is already sagging, the news from the East could be used to deflate still further the Chancellor's policy. When it seemed certain, as it did last year, that Eastern Germany would be sovietised root and branch, he and his followers could show a patient scepticism about the prospects of German unity held out by his political opponents. They cannot now maintain that attitude without endangering their prospects in the September elections. At this very moment the parties in the coalition must be wondering how they can use the Russian predicament in the East to maintain the government's position and to rally waverers behind it. For they hear the Social Democrats claiming that the workers' revolt behind the iron curtain means that leadership in Germany now lies with the non-Communist left.

In this situation it is to the United States and Britain that the Chancellor and his colleagues will look. Already he has appealed to President Eisenhower, Sir Winston Churchill and M. René Mayer to support a five-point plan for the unification of Germany in peace and freedom which reasserts the terms put forward by the western powers last year. It demands free elections throughout Germany, an all-German government free to make whatever alliances it wishes, a peace treaty to be negotiated with—not dictated to—that government, and the fixing of Germany's frontiers in the peace treaty. Dr Adenauer, in other words, is asking that the West should stand by the terms that it presented to Moscow in Stalin's day, and that the Germans should take a full and equal part in the settlement of their future. It is only on this programme that the Chancellor can challenge his opponents with the questions: Would you settle with the Russians for less? Would you be content to see a united Germany given no more freedom than Austria has? Would you exchange the virtual independence offered to Western Germany in the Bonn Conventions for an Austrian solution? And Dr Adenauer puts it forward with all the more conviction because he feels that last week's events have shown the Russian bargaining position to be weaker than anyone had dared to hope.

Two courses now lie open to the Russians. One is to take up negotiations on unity and free elections at the point where they were left last October. That would mean discussing the whole German problem with the three western powers and the Federal Republic solidly aligned against them. Or they can proceed step by step, making piecemeal concessions, seeking direct contact with the politicians of Western Germany and the Allied High Commissioners, hoping that their tactics may divide the western team. That, so far, has been the method of their diplomacy, notably in Austria; and that seems to be the more likely course for them to take. If these are, indeed, to be the Russian tactics, then allied policy will face a task of great difficulty and delicacy. The problem is essentially what it was a year ago, but with this difference: that Dr Adenauer can now appeal to Germans to insist on freedom as the condition of unity, knowing that the rising behind the iron curtain has brought home to their hearts what freedom means. That should steal his opponents' thunder.

The Rhodes Scholars

CECIL RHODES, the centenary of whose birth is being celebrated next month, created two monuments for himself. The one is the empire he carved in South Africa, and it is symbolised by his proud grave in the Matopo Hills. The other, and perhaps more enduring, is the commonwealth of heart and mind formed by the Rhodes Trust. Some 2,500 Rhodes scholars now live scattered throughout the world, but next week seven hundred of them will be gathered at Oxford in memory of the founder.

Neither of Rhodes's two principal dreams has been realised altogether in the way he intended. The relationship between the Union of South Africa and the rest of the British Commonwealth is full of strain and potential difficulty, while the Rhodesias are at present struggling with the bitter problem of Central African Federation. The Rhodes scholars, on the other hand, have not constituted the closely-knit and militant vanguard of imperialism that Rhodes may have imagined. Despite the fears of the *Chicago Tribune*, they have not indulged in a vast conspiracy to bring the United States back into the Commonwealth. Instead, they are a world-wide confederacy of individuals, often opposed to one another in beliefs and politics, but none the less joined by the common experience of Oxford.

Essentially, Rhodes conceived of his scholars as future statesmen and politicians; they might form a diplomatic free masonry in which leaders of various nations could meet and pursue common ideals. In fact, however, no very large proportion of Rhodes scholars has gone into politics and diplomacy. One of the most distinguished of that number, Senator Fulbright, is famous less for his politics than for his initiation of an annual exodus of American students to Europe. Nevertheless, there were more than a hundred Rhodes scholars in important posts in Washington during the last war.

So far, law and education have taken the largest share of Rhodes scholars; nearly half of the 2,831 scholars elected since the foundation of the scholarships fifty years ago have been active in these two fields. The Chief Justices of South Africa, Southern Rhodesia, Victoria, the Sudan, and Sierra Leone are all Rhodes scholars, fifty-two of whom are Queen's Counsel. It is in education, however, that Rhodes scholars have had their most decisive impact; 33 have been vice-chancellors or presidents of universities and colleges. In scholarship and research, the catalogue of Rhodes scholars can boast the Nobel prize of Sir Howard Florey, the Order of Merit of Dr. Penfield and the fame of Sir Hugh Cairns.

If it is difficult to detect an influence of Rhodes scholars on world opinion and events of the kind envisaged by Cecil Rhodes, such scholars as, for example, the head of the Mutual Security Administration in England and the editor of the *Christian Science Monitor* have, each in his distinct way, fulfilled the intention of leadership and public service. The fact that so many have chosen more academic and indirect means of contributing to the public good is perhaps a mark of the impression Oxford has made on them. Those who have combined the college quadrangle with active politics are, after all, the most direct reminder that Rhodes himself rarely crossed the veld without a Plato in his saddle bag.

What is striking and instructive about the double heritage of Rhodes is that it embodies a conflict of visions. On the one hand, there is the nineteenth-century dream of empire, with its affinities to Kipling and its disturbing note of racial preference. Although the changes in Rhodes's successive wills make his intentions difficult to interpret, there is little doubt that the Rhodes scholarships were supposed to be an empirical part of this imperial dream. Instead, they are playing

a complex and important role in a very different kind of imperialism: that extended by an ancient civilisation to lands often more powerful than itself. Rhodes himself would no doubt have rejected any analogy suggesting that the third British Empire might have much in common with the heritage offered by a new Greece to a modern Rome. And yet, it is in this context of moral influence and example rather than of political alliance and expansion that the Rhodes Trust is acquiring its authentic character.

It is a truism, but one worth considering, that in these times Anglo-American relations and the problem of keeping a changing Commonwealth united are matters above and beyond the domain of traditional diplomacy. An increasing burden will lie on sheer personal contact and mutual comprehension by individuals. Nearly every Rhodes scholar or Fulbright student who has spent a number of formative years in England will go home either as an active friend or at least as a tolerant observer of this country. The fact that Rhodes scholars may help represent Indian and Pakistan at future Commonwealth conferences, or that an increasing number of American Rhodes scholars are representing the United States abroad, may prove to be a force of cohesion far stronger than that originally conceived by Rhodes. The British Government's decision to create a number of Marshall scholarships in order to increase yet further the flow of American students to this country is a welcome recent sign that the importance of this form of intellectual and moral export is understood.

Nor is this a one-way traffic. The Commonwealth Fund Fellowships for British students to attend American universities were not founded in imitation of the Rhodes scholarships. But they serve much the same purpose in reverse; they have now been in existence for nearly thirty years and the 600 or so returned Fellows are playing their part in this country in the same design of international comprehension. The English-Speaking Unions both of Britain and of the United States have been active in sending students from this country to America; recently the English-Speaking Union of the United States has raised a King George VI Memorial Fund that is to be entirely devoted to this purpose. British students also share in the grants made both by the great charitable foundations and by the United States Government under the Smith-Mundt Act, and the fact that Rhodes scholars are to be found at the head of the Rockefeller, the Guggenheim and the Carnegie foundations helps to ensure that the British claims are not overlooked. But even the concept of Rhodes, closely tied as it was to British imperialism, was never intended to be exclusive. On the war memorial in Rhodes House the names of those who fell in defence of their native land are recorded impartially, whether they gave their lives for Britain, for America or for Germany.

Notes of the Week

The Problem of Rhee

No one in the world at the moment is in so strong a bargaining position in relation to the United States as President Syngman Rhee. Circumstances have involved American prestige in the fate of little South Korea to an extent which is possible only in war. President Eisenhower, moreover, was elected largely in the popular belief that he would find a solution to a problem that had come to dominate the political scene. Mr Syngman Rhee's temptation is great, therefore, to stake his life's aim of a Korea united under his leadership on the belief that he can force the United States and the rest of the United Nations into a course of action which their own interests would cause them to reject.

Those who normally support the cause of nationalism have an obligation to understand how critical this moment is for a man as fanatically nationalist as Mr Syngman Rhee; but nothing can excuse his carrying his aims beyond a certain point. Even if he himself cannot see beyond Korea, the struggle in his country has assumed for everyone else a character far beyond that of a local war. It has become not only a symbol of the free world's determination to resist Communist aggression but possibly a means of avoiding a world war. In the attempt of the United Nations command to bring it to an end on honourable terms by hard bargaining at Panmunjom is involved not merely the success or failure of Korean nationalism but the future of countless millions everywhere.

These considerations now justify President Eisenhower in almost any steps that he can take to counter Mr Syngman Rhee's ruthless and cynical act of sabotage in releasing prisoners of war on his own responsibility. In order to save the truce and save South Korea it may prove necessary to remove Mr Syngman Rhee from office. Any proposal that allied support for him should be withdrawn has hitherto broken down on the grounds that there is no other Korean leader who could take his place and rally and organise his people. But the fact that he still finds it necessary to indulge in acts of terrorism against political opponents suggests that neither he nor his implacable

intransigence are as popular in South Korea as he makes out. If he died, someone else would have to be found anyway. The war, moreover, has thrown up new leaders, both military and political, whose standing in the country today bears little relation to the political situation that existed before this intense phase of national struggle began. Does President Synghman Rhee want to be removed like Napoleon to a remote place—St. Helena not Elba—where he could end his days peacefully and not without honour? If the Communists want a truce, as they still appear to do, it should not prove impossible for the United Nations to give effective support to a new and co-operative regime in Seoul. It should be possible to explain to the South Korean people that their President is jeopardising not only peace but also the reconstruction of their devastated land by the United Nations.

Labour with a Policy

Officially, there is now an Opposition policy for home affairs; on foreign policy, the Labour party's executive committee wisely decided this week to postpone its intended statement until the international situation is somewhat clearer. It is doubtful whether in fact the state of Labour's domestic policy is any more settled. Few members of the party, of either wing, are talking as if it were. A week after the publication of "Challenge to Britain" it seems to have ceased to be a challenge to Labour; it has been relegated in the minds of most of the party to a rough draft on which a coherent policy might be built later.

In this it has suffered the fate of so many compromises; it has failed to give real satisfaction to any of the groups whose opinions it was supposed to cover. As usual, the left wing has reacted promptly and with precision. Even before the document was published the Bevanites announced that they would campaign for the nationalisation of rented farm land. Now they are urging that the party should sweep aside the equivocal references to a capital gains tax and to public ownership for industrial assurance, and declare boldly for both. Nor have they missed the opportunity presented by the omission of any reference to equal pay, apparently due to sheer forgetfulness. It is a sign of the propaganda dominance of the Bevan group that it is allowed with impunity to chide the party executive for the omission, although that body contains five members of the group, one of them a woman. This is typical of the aggressive opportunism by which the Left keeps the party leaders in a consistently unheroic posture of defence.

One of the leaders' difficulties is illustrated by the current controversy over school building. It seems that ex-ministers had to point out to their own party that their own record was also involved and to suggest that, with Miss Horsbrugh a sitting target, it would be a pity to attack her with boomerangs. Similarly, ex-ministers have been pained to find that at several points—notably over agriculture—the policy statement promises great improvements with really no more powers than they enjoyed when in office. Where positive policy changes are offered, the right wing carries an even greater encumbrance: experience of what is practical makes many ex-ministers dubious about the education proposals and about the ideas for a tightly organised sterling area. Above all, they distrust the industrial proposals. With something near an empirical approach to public ownership, the right wing accepts some of the schemes of "Challenge to Britain" but has grave doubts about others—notably about nationalisation in the chemical and aircraft industries, for both of which the national executive barely attempted to go beyond a doctrinaire justification. The feasibility of re-introducing many industrial controls is also doubted. This empirical approach is naturally anathema to the Left, and the gulf between the two views is so wide that it is hardly possible for Labour to produce a coherent industrial policy until one or the other, not a compromise, prevails.

The State of the Schools

The condemnation of Britain's schools which issued last week from the Select Committee on Estimates has given the Opposition a useful stick to beat the Government with. The committee's report was unusual in that instead of detecting extravagance it expressed concern that more money had not been spent on providing school places and on improving the many slum schools that are still in use. In doing so it not only lends powerful support to the Opposition's campaign against cuts in education expenditure; it also provides a long-sought political counter to the Conservatives' housing programme. The Government's success in this field has hitherto had to be attributed to the building of "rabbit hutches"; now the select committee can be cited as proof that it is building houses at the expense of schools.

This particular criticism is fairer than some of the report's strictures. It is no doubt true that a stronger Minister of Education would have been able to secure a larger allocation of resources. But the Labour party, as well as the present Government, was guilty of spending too much on subsidised housing. The Opposition lays great stress on the fact that school building was held up by the moratorium early in 1951; a principal reason for this moratorium was, however, the shortage of steel, which hardly enters into housing. The shortage of school places and the continued use of "black-listed" schools cannot be laid at Miss Horsbrugh's door. It is a deep-rooted problem, openly referred to in the Ministry of Education's annual reports. It was inherent in the introduction of universal secondary education at a time when the national resources were at a low ebb; and it has been particularly acute because of the "bulge" in the school population (shown in the chart on page 895) due to the high postwar birthrate. Whether the Ministry's estimate of the number of places needed was or was not 100,000 too low is beside the point. There is no evidence that schools have been built less quickly than the Ministry's share of money and materials, and the productivity of building labour, allowed. The architects' department is certainly to be congratulated on its excellent work, particularly in the design of prefabricated buildings, though the local authorities are slow to adopt them. Miss Horsbrugh should be able to put up a good defence of her own part in school-building policy, even though the Government as a whole shares with its predecessor responsibility for giving education a low priority.

Not Even M. Pinay

M. PINAY'S refusal to attempt to form a government in the face of MRP reluctance and Gaullist indecision brings the French crisis yet another lap nearer to absurdity. Two facts militated against M. Pinay: his popularity with the country, which the Assembly has always feared and resented, and his association with the "right" at a time when France has moved several points leftward. M. Mendès-France's programme of retrenchment in armaments and in France's colonial commitments, although it failed to secure the necessary majority in the Assembly, has made its mark on French public opinion. M. Bidault and M. Marie failed, even though they tried to take the new mood into account and it seems unlikely that M. Pinay could have succeeded.

After his refusal, it was expected that President Auriol would turn to M. Faure, the young radical, who was thought to have the best chance of constituting a centre-left coalition. Instead, the President has called on M. Laniel, an independent whose views are not dissimilar from those of M. Pinay, but who has the added advantage of a close association with the Resistance. A point has been reached, moreover, where all the traditional cards have been played and when the very fact of relative obscurity may help a candidate before the Assembly. Whoever does succeed in solving this crisis, however, will do so by virtue of the growing political weariness rather than owing to a real national sense of urgency. This, in spite of the fact that public finances are in a precarious state and that the question of France's representation at Bermuda is unanswered.

As the crisis prolonged itself, it had been hoped that some dramatic method could be found to end it, or at least to explain its importance to a sceptical and often amused public. When all the parties except the Communists met, however, the Socialists baulked and M. Reynaud was left prophesying doom. As long as the French constitution is not reformed so as to embody an effective right of dissolution, one crisis will merely be solved by preparing the next.

No Concessions for the Czechs

THE Czechoslovak workers whose economic hardships drove them to demonstrate against the Communist regime are not, it appears, to receive the same conciliatory treatment as their comrades in eastern Germany. The predicament in which they now find themselves after the recent drastic currency reform can be easily illustrated. Their wages have been cut to a fifth of what they were; but the new fixed prices of all the things that they need are far above the old rationed prices, although they are below the former "free" market prices. Before the reform a man had enough ration tickets to buy rationed bread at eight crowns a kilo for about 18 days each month; for the rest of the month he had to buy unrationed bread at 16 crowns a kilo. Now he pays for all his bread in the new currency at 2.80 crowns a kilo; this is equivalent to an increase of 75 per cent over the old price of rationed bread and a decrease of 12.5 per cent below the old price of unrationed bread. Similarly, the new price of butter is 175 per cent above the old rationed price and 50 per cent below the old unrationed price. To add insult to injury, rationing has not really been abolished; there is still a strict limit on the amount of bread, butter, etc., that each person can buy.

The Czechoslovak Communist leaders, however, have made it clear that they will not—or cannot—retreat, and they have now handed over to the trade unions the task of dealing with recalcitrant workers and keeping the rest of them up to the mark. A meeting last week of the executive committee of the trade union organisation, which was attended by President Zapotocky, agreed that all workers who violated the labour discipline code in the recent demonstrations should be punished and expelled from their trade union, and that the trade unions would support all disciplinary decrees imposed by the government on the workers and oppose all "unjustified" wage demands.

The trade unions have also accepted responsibility for fulfilment of the five-year plan and of the orders placed by the Soviet Union and other "people's democracies." Here, in fact, lies the chief reason for the government's stubbornness; it is gravely and increasingly worried by the failure of industry, especially heavy industry, to fulfil its targets. The regime's persistence in its present course is more likely to provoke further disorders than to secure increased production; but it is unlikely to venture a change of course unless it receives a new directive from Moscow.

Europe Debates and Dithers

THIS has been another of those weeks during which so many European gatherings are held simultaneously that the eye is confused. In Strasbourg two assemblies—that of the six-nation coal-steel community and that of the fifteen-nation Council of Europe—have met separately and jointly; in Paris the foreign ministers of the Six have conferred briefly and agreed, "in view of the need for haste," to meet again in August. At Strasbourg progress, if not made, was at least registered. The High Authority of the Coal-Steel Community presented a first report on active operations, and received what amounted to a clear vote of confidence. M. Monnet and his eight colleagues were confirmed in office for a further year amid deserved applause. Yet there was some discrepancy between M. Monnet's claim that the High Authority had been able "to give Europeans the sense of their own dignity," and the decision, taken by the bureau of the Consultative Assembly, to postpone general discussion of current problems until September owing to the "fluidity" of the situation. The successful launching of Europe's first working community may indeed have added to the continent's dignity, but it has not lessened its ability to dither.

However, the fact that the six foreign ministers must now foregather at Baden-Baden in August for the discussion on common political institutions that should have been held on June 12th in Rome is due primarily to the French ministerial crisis. Dr Adenauer, at least, will not welcome the delay. But the short Paris meeting provided a useful opportunity for the foreign ministers to exchange ideas on broad international issues before the Bermuda conference. In this respect it was, perhaps, as happy an accident as the gathering of Commonwealth prime ministers at the time of the Coronation. If the project for a European political community never matures, it will at least have proved a valuable pretext for the kind of periodic, informal meetings of ministers that have proved their usefulness to the Commonwealth but are still a novelty in Europe.

The BBC's Alternative

THE BBC's development plans, announced by its Director-General on Tuesday, are plainly a bid against commercial television. After completing and extending the existing service, the corporation intends to start a second television programme.

These plans, however, all hinge on Government sanction. In order to give almost everyone in the country the chance to see television, five medium-power and eight low-power stations must be built; that will require capital expenditure some 50 per cent above the present rate. The corporation can probably look forward to an early relaxation of the present limitations on its investment programme, which were imposed when inflation was stronger and steel scarcer; permission to complete the BBC's national coverage can certainly be expected to precede permission to build commercial television stations. The starting of an alternative programme, however, depends on whether the Government will allocate enough frequencies to the BBC. The Television Advisory Council's report on frequencies, expected last week, had still not appeared when this issue of *The Economist* went to press. But if enough frequencies are allocated to the BBC to form a second national network, it seems more than ever likely that commercial broadcasters will have to be content with very limited regional services.

Sir Ian Jacob said nothing definite about the character of the proposed new programme, but thought that the two services might correspond to the national and regional sound services before the war. A television service of higher intellectual quality than the present one is certainly desirable. On the other hand, if commercial television does come to provide light entertainment, the need for the BBC to do so will be a good deal less obvious; a single service, embodying the high standards about which more is at present heard than seen, might then be enough.

Records and Statistics

Since 1947 *The Economist* has published a weekly Supplement, entitled *Records and Statistics*, whose contents have closely corresponded with its title. This Supplement was started, at a time of strict paper rationing, as a means whereby the size of *The Economist* itself could be reduced to a minimum without wholly abandoning the duty that, from its earliest days, the paper has always accepted to provide for its readers a service of factual information. The Supplement has been produced at a heavy loss; latterly the subscription charged has covered barely one-third of the cost of production.

Now that paper is available, it has been decided to reverse the measures of 1947. Publication of the Supplement will be suspended after the present week. From next week, *The Economist* itself will include an average of four statistical pages instead of the one that has appeared hitherto.

The Burden of Pensions

THE first statutory review of the national insurance scheme is due to take place next year, and it is bound to be dominated by the growing cost of old age pensions. This cost is the theme of the Government actuary's interim report on the scheme for 1951-52 (HMSO. 6d.), just as it was the theme of his memoranda on the National Insurance Bills of 1951 and 1952, which increased the rate of pensions.

In other respects, the national insurance accounts are satisfactory. Partly because the average rate of unemployment for the whole year was lower, expenditure on unemployment benefit was £1,300,000 less than in 1950-51. Another reason for the smaller expenditure was that, while the numbers unemployed increased in the later part of the year, a large proportion of them were women, for whom the rate of benefit is lower. It is also reassuring to note from the actuary's report that, contrary to a widely held view, there has been no increase in absence from work because of sickness. The influenza epidemic of January, 1951, was responsible for an exceptional increase in that quarter; 1,500,000 insured persons were absent at the height of the epidemic. But since then absence in each quarter has been lower than in the corresponding quarter of the previous year, except in the period October to December, 1952, when the great fog was responsible for a sudden increase in sickness.

There remains the cost of pensions. In a few years' time the insurance fund income from contributions, including the Exchequer's supplement to those contributions, will not meet its expenditure. This is not a new discovery. It was fully realised in 1946 when, by making the higher rates of pension applicable to all existing and future pensioners, Parliament imposed a huge liability on the country. The prospective deficit has since been added to by the increase in pensions made in 1951 and 1952. At the present time, according to the actuary, only 5 per cent of the current expenditure of £275 million on retirement pensions may be said to be covered by the payment of insurance contributions in the past. In 1946 the day of reckoning seemed far enough away. What is the attitude of the parties now that it is approaching? Labour, which was responsible for placing the burden on the country in 1946, expresses the pious hope that old people will be able to postpone retirement, but it proposes also to increase pensions periodically if the cost of living demands it. The Conservatives' attitude has yet to be defined; but as the signs are that the present government will be in power when the review of national insurance takes place, it will sooner or later have to show whether it can be more realistic than Labour.

Towards Gold Coast Independence

WHILE a constitutional impasse has been de[veloped] Nigeria, in the Gold Coast provin[ce] political groups have been discuss[ing] of moderation, the next ste[p] Proposals to this end published as a [White Paper] debated in

in London in the hope of making an agreement with the Gold Coast Government and political parties. The educationally backward Northern territories, like those in Nigeria, are opposed to a degree of self government that would substitute Africans from the south for Europeans as their rulers ; but there is in the Gold Coast a wide measure of agreement on the proposals now put forward.

These are intended to cover a "limited transitional period" before independence is granted by Act of Parliament. The three European officials in the Executive Council are to be replaced by African ministers, thus rounding off cabinet responsibility. But the Attorney-General is to remain an official apart from the new Minister of Justice, while the new Minister of Finance will have an economic adviser, presumably also a European official or officer on special duty. The Governor is to remain responsible for external affairs and defence, and is to share responsibility for police, security and public services with an African minister. There would be a deputy Governor, and the Governor would have reserved powers, as at present ; they have never been exercised. Finally, indirect elections would disappear ; all elections would be by single-member constituencies, which would further curtail the power of tribal authorities.

This scheme would make the Gold Coast almost a dominion, and would probably justify the transference of its relations with Britain to the Commonwealth Relations Office, as is suggested. The only remaining checks on sovereignty would be those of the Governor and those imposed by the continued presence of European officials. These checks would in practice diminish, and though no date is set for final independence, the transitional period would almost certainly be short. Put forward in moderate language after a period of fairly smooth administration, the proposals will be hard to resist in principle, even though in some particulars they may need modification. But it will be important to look forward to the wider implications of bringing a negro country for the first time into the Commonwealth family as a full member.

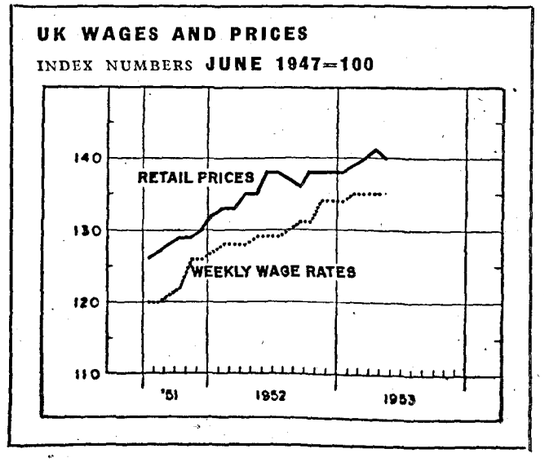
Generals into Presidents

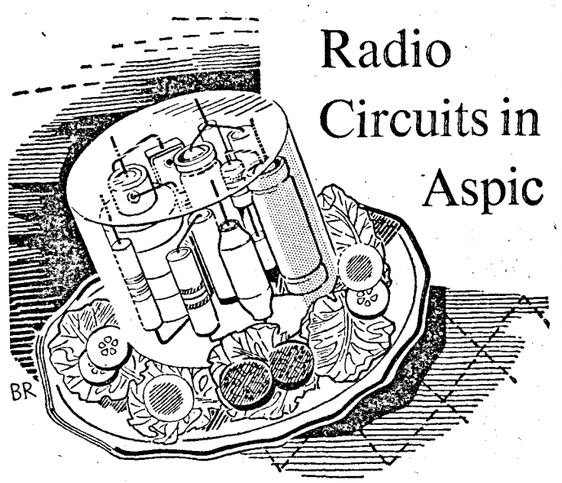
DESIRE for legitimacy has this week produced new declarations by both of the Middle East's military dictators. In Egypt, General Neguib has cut the few remaining strands which bound the country to King Farouk's child, has declared himself President "for a transition period" and has promised that at some unspecified date, when a republican constitution is ready, "the people will have the final say in defining the form of the republic." In Syria, where since 1949 Brigadier Shishakly's army dictatorship has run affairs first from a back room and, since last year, openly, constitutional developments are farther advanced. A constitution "on American lines" is ready and will be put to the vote on July 10th, when, by means of a referendum, all Syrians over 18 can accept or reject it. Simultaneously, they will elect a President who will enjoy full executive power. Elections for a legislature will follow when the President has settled into his stride.

Superficially the two dictatorships have points in common and look as if they are merely at different stages of the same development. In fact they are rather differently based. General Neguib enjoyed the flying start of a popular victory ; everyone approved his liquidation of the Palace and the corruption for which it stood. Therefore, though he has enemies, he has been able to harness the support of many Egyptians of worth—of men who applaud his selfless reasons for starting a revolution. It is worth noting that he feels strong enough to hand over the job of commander-in-chief to a colleague ; General Amer, the new C-in-C, has for years been a close associate of the vice-premier, Colonel Gamal Abdel Nasser, whose authority is increasing steadily. Brigadier Shishakly is, by contrast, merely the third of a series of colonels who lost patience with the political parties, and seized power. He is tolerated rather than admired, has few supporters of note, and must retain the army command if he is to make sure or his election as president next month. He holds his position thanks, chiefly, to nationwide exasperation with the quarrelsome ineffectiveness of his civilian predecessors. In one important respect, however, a dictator of Syria is at an immense advantage over any Egyptian counterpart: the economic and social problems he has to solve are much simpler than Egypt's. Brigadier Shishakly's reasonably good prospects of improving his country's lot are described in a special article on page 913.

India Takes a Hand in Cairo

THIS week's meeting in Cairo between General Neguib, Mr Nehru and the Prime Minister of Pakistan, Mr Mahomed Ali, represents a striking new combination of interests and policies. Both India and Pakistan recognise that they are directly concerned with the security of the Middle East. Having just come, moreover, from the Coronation and the Commonwealth Conference in London, both Mr Nehru and Mr Mahomed Ali are keenly aware of British views on the subject ; both acknowledge in principle that, while Egypt is certainly entitled to the full





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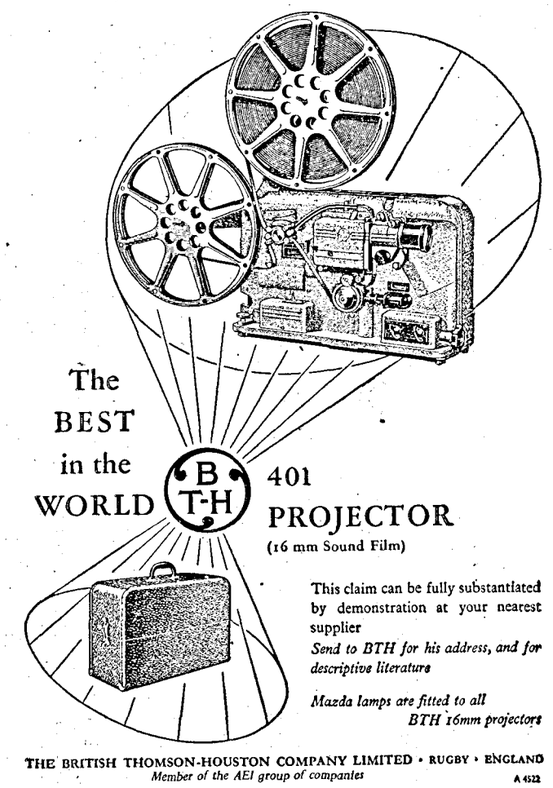
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Daily Mirror

THE BIGGEST DAILY NET SALE ON EARTH

sovereignty which it claims over the Suez Canal Zone, the total withdrawal of British support is undesirable. But they do not see entirely eye to eye on how this problem is to be solved.

During the past few weeks the Indian Ambassador in Egypt, Sardar Panikkar, has been putting some aspects of his government's thinking to General Neguib. He has done what he can to widen rather than bridge the gap between Cairo and London in order to secure the evacuation of British troops. While recognising the need for concerted measures to defend the Middle East, he argues that they can be taken only on a basis of Arab unity ; that this is impossible so long as the British remain in Egypt ; and that it is against India's interest either to have the western powers press on with their present unpopular plan for a Middle East Defence Organisation (MEDO) or to see Pakistan encouraged as a leader of Islamic opinion. His aim is to push Egypt into full co-operation with other Arab states, to compel the British and Americans to stake everything on Arab unity, and to make Pakistan lean on India rather than Islam. Thus India's policy of backing the Arabs but opposing an Islamic bloc is, he emphasises, essentially realistic.

Whether either Mr Nehru or General Neguib fully agrees with Sardar Pannikar is another matter ; but there is certainly much to be said for any policy which could lead to the positive exercise of joint Indian and Pakistani influence on Middle East affairs. Apart from the question of Suez, the critical weakness in the Persian Gulf springs from the fact that since the disappearance of the old Indian Army, there is no effective force within reasonable distance for use in an emergency.

Savings from the Russians

THE new Soviet regime has made yet another move that will please the public. Having increased the purchasing power of the population by an unusually large cut in retail prices, it has now halved the annual dose of disinflation which helps to absorb this excess purchasing power. The State loan launched on Wednesday by the Minister of Finance, A. Zverev, is for only 15,000 million roubles compared with 30,000 million roubles in the previous years. Once again 65 per cent of the bonds will be redeemable at par after 20 years, but the payments to be made on the remaining 35 per cent by lottery drawings will now yield the equivalent of an interest rate of three—as compared with the previous four—per cent.

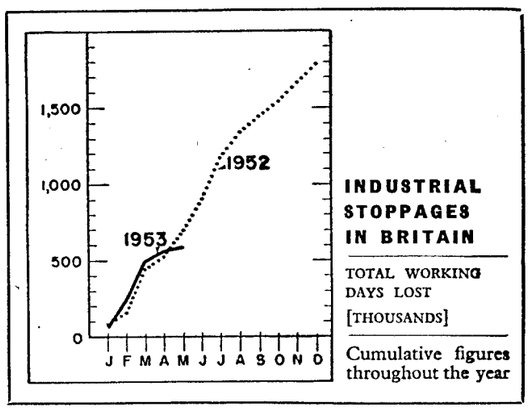
The Russians, particularly the industrial workers, will welcome the cut in forced saving more than they deplore the reduction in the interest rate. State loans are normally regarded by them as one of the better forms of taxation, for the holder does get something in return, even if it is usually in depreciated currency. They are thought of as taxation because of their semi-compulsory character. The trade union advises its members to buy bonds for an amount equal to four weeks' pay, and for a factory worker it is difficult to " contract out." This time, however, the unions recommend a purchase costing only two weeks' pay and the minister, significantly enough, insisted that the operation must be on a purely " voluntary " basis.

In a country where there are no inducements for the *rentier,* state loans have been the principal form of saving. In last year's estimates they accounted for over eight per cent of budgetary revenue. Now this disinflationary weapon is likely to fall into disuse. On the other hand, the burdens of the Soviet exchequer are rising. Mr Zverev confirmed reports that a supplementary plan for the production of consumer goods has been put into operation this year. Indeed, he claimed that the new loan will be used primarily for this purpose. Yet this begs the question. One item of revenue has been cut and an item of expenditure has been raised. But we do not know by how much. If the sum is large, how will Mr Zverev strike his balance ? The budget, now months overdue, should provide some clues. There is no doubt that the new regime is trying to grant concessions to the consumers. Yet the outside world does not know, and the Soviet leaders may themselves be not quite certain, how big a shift towards the production of consumer goods they can afford.

Peace Meeting in Budapest

AT its latest session in Budapest, the World Peace Council seemed to have lost some of its old militancy. This may have been because some of the stalwarts, such as M. Joliot-Curie and Signor Nenni, were not present. Or it may have been because it had nothing new or exciting to get its teeth into. At the meeting in Berlin nearly a year ago members were able to work themselves up into a frenzy of indignation over alleged germ warfare in Korea. This time they evidently assumed that a Korean truce was as good as in the bag, and they had to make what they could out of the old story of the encroachments of American imperialism. But the theme of national independence, which was trumpeted so loud at the big Vienna Peace Congress last December, was played with notable restraint ; and one delegate stressed that the Council should guide and co-ordinate—not direct—national movements.

As usual, an agreement between the Great Powers was said to be the Council's aim. But it may be significant that there were a number of approving references to limited talks on specific problems, and that no reference was made to the five-power peace pact that figured so prominently at the Vienna Congress. The Council meeting, in fact, did nothing to resolve prevailing doubts on whether the Russians themselves really want a four-power meeting.



The meeting was the first session of the Council to be held since the death of Stalin, and this fact may be the principal cause of its muted tones. If the new men in the Kremlin should be perplexed by uncertainties, these would be reflected at Budapest. Alternatively, if they should have decided to attempt a genuine lowering of international tension, they may well feel that the peace movement should be allowed to slip somewhat into the background. The cause of peace would be improved if it never met again.

Costs of Rural Electricity

THE Minister of Fuel and Power announced last week that "a very extensive effort" is now to be made in rural electrification. The capital investment approved for this purpose has been raised to £7,500,000 for next year, compared with only £3 million in 1951. This policy was greeted with general satisfaction in the House of Commons, and a plausible case can indeed be made out for it. It is a commonplace that farming manpower is short and getting shorter, which makes it all the more important to give the attenuated labour force all the productive aids that electricity can bring; it is also a commonplace that a main reason for this decline in manpower is that the farm worker's cottage lacks amenities, which electricity could do much to remedy. Electrification should, therefore, help food production. It is, the argument goes on, of major importance even if it is "uneconomic." If the costs of supplying the countryside are higher than the countryside can bear, then costs should be averaged; the cheaply supplied town consumer should accept the burden, by way of his own electricity bills, and take the benefit indirectly through a fuller larder.

No voice was raised in the House of Commons against this dubious thesis; it takes a good deal of economic sophistication nowadays to see anything wrong with the principle of "postalisation"—the principle of the postal service, that the consumers in thickly populated areas who can be served cheaply should subsidise the high-cost consumers elsewhere. It would, of course, be absurd to regard postalisation as a wicked expedient to be shunned in all circumstances. There is, in private as well as in public industry, some degree of postalisation wherever there is a uniform delivered price. Moreover, the line between economic and uneconomic developments may be drawn very differently according to the method of charging the consumer for the initial connection to the electricity supply, which may reflect anything from the most short-sighted insistence on quick full return to the most starry-eyed faith in the farm labourer's willingness to use stoves, refrigerators, immersion heaters and washing machines.

There are, therefore, two separate problems, one for the Area Electricity Boards and one for Parliament. The first is to establish a reasonable time within which to judge whether an electrification scheme will be self-supporting; the second is to decide, on wider grounds of national policy, what schemes that are not self-supporting, by this general test, shall nevertheless be carried out. If the first question is settled, decisions about subsidies can at least be made with knowledge of the real cost. If it is not settled, such a programme as the Government has approved leads straight to the arbitrary priorities and eccentric alternations of stop-and-go that plague capital development in the pseudo-planned economy.

Legal Aid and Divorce

THE Civil Judicial Statistics for 1952 (Cmd. 8867), published this week, have an added interest. They give, for the first time, a reasonably full picture of the effect of the legal aid scheme on litigation and on the litigious propensities of the country as a whole. The result is not alarming. Proceedings in the High Court, where litigation may be assisted, increased in volume in 1952 by no more than 6 per cent over the 1951 figure, from 159,781 to 169,544. In the County Courts, where litigation is not assisted, the rise in the volume of work was even greater, one of 16 per cent, from 535,374 proceedings in 1951 to 622,867 last year.

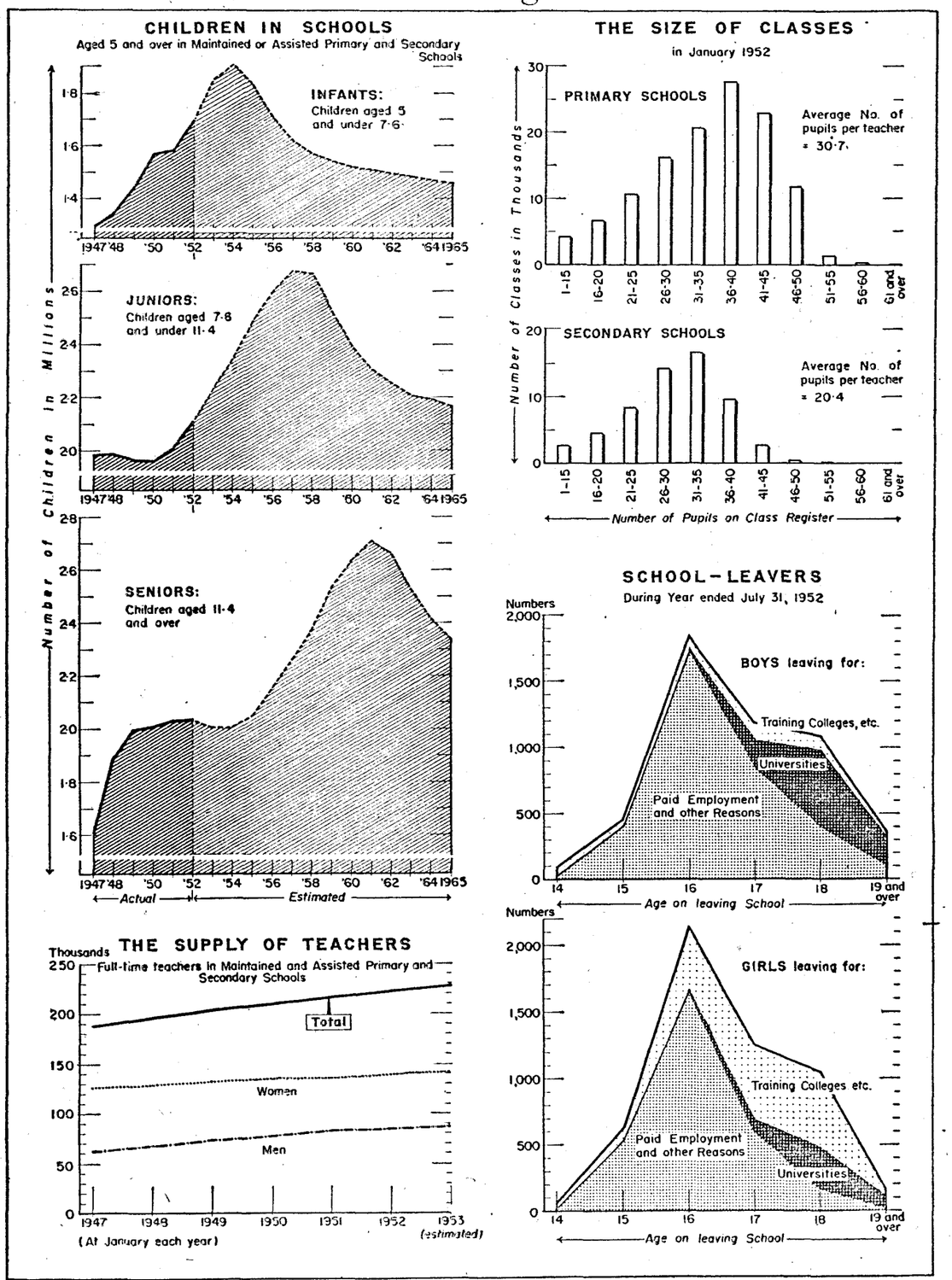
The records also show that the first wave of divorce proceedings that was almost certain to follow the granting of wider legal aid is already subsiding. The following figures, of the totals of all divorce petitions, show the development: 1950, 29,096; 1951, 37,637; 1952, 33,770. The importance of the scheme in assisting women to obtain relief is indicated in the rise in the number of petitions presented by wives. In 1947, for example, when the first wave of postwar divorces reached its peak, 61 per cent of all petitions came from husbands. Last year, 57 per cent of all petitions came from wives. In assisted cases themselves, the preponderance of petitions by wives was even greater.

The statistics as a whole are full of useful miscellaneous information. For example, the average costs, as settled by the Court, of an action in the Queen's Bench Division are £141. The slight worsening of trading conditions in 1952 is shown by the rise in the number of petitions to wind up companies, from 535 in 1951 to 612 in 1952, and in the rise in the numbers of receiving orders in bankruptcy, from 2,028 to 2,149. But it is surely time that the Lord Chancellor's Department, responsible for this publication, and the Law Society, responsible for the administration of the legal aid scheme, co-ordinated their statistical records. The Law Society publishes its figures for a twelve month period which ends on March 31st. The Lord Chancellor sticks to the calendar year, with the result that it is impossible accurately to collate the fuller details given by the Law Society with the records of the Courts as a whole.

Tension over Tensing

TO the British onlooker, the display of nationalist passion over Sherpa Tensing is a distasteful pettiness beside the achievement of climbing Everest. His exact national status—Nepalese or Indian—seems irrelevant to the pride that both countries can take in him as an Asian who has stood on the top of the mountain. The fact that Hillary stood there before Tensing is insignificant; the two men were roped together and neither could have reached it alone

State Education in England and Wales



Source: "Education in 1952." [*HMSO.*]

or, indeed, without the co-operation of the whole Everest team.

The sad fact, however, is that the Everest achievement has now become entangled in Asian nationalism and Nepalese politics. The ascent of Everest "by an Asian" has an obvious symbolic importance for people endlessly resentful of the assumption of western superiority and of its assertion on a mere technological basis. Any suggestion that the British are trying to belittle or to appropriate Tensing's achievement touches off nationalist anger; on balance, less offence might have been caused if Tensing had—however improperly—been given a knighthood, instead of the award of the George Medal. But the mingled feelings of aggression and resentment, pride and envy, have been deliberately used by Nepalese political rivals. The divided Congress party is ready to make trouble, and the Communists, who are growing in power, have seized the chance to rouse feeling both against Indian influence—which supports the Nepalese Congress—and against the British, who are represented as Delhi's backers.

The unfortunate Tensing thus finds himself at once honoured, promised a pension and under police guard, signing statements that he cannot read, and perhaps debarred from enjoying the reception which the British and Indian Governments are preparing for the whole expedition in their respective capitals. Clearly every effort must be made to satisfy the Nepalese that no political motives underlie the desire to honour the man and his achievement, and that there is no cause for a dispute that would lower the world's opinion of all the countries involved.

Who Owns Television Sets?

A POPULAR belief has grown up, fostered by the crop of aerials to be seen on housing estates, that television is more favoured by the working classes than by the middle classes. A survey of the ownership of television sets and certain other durable goods, reported in the current issue of the *Bulletin* of the Oxford Institute of Statistics, does not, however, substantiate this view. This inquiry, made during April and May of last year, shows that the higher the income, the larger is the proportion of people who own a television set. This does not mean, of course, that the majority of owners are well-to-do; in absolute numbers most of them have only medium-sized incomes. But, according to this survey, television sets are like other durable goods and somebody who earns over £1,000 a year is more likely to possess one than somebody who earns less.

Television sets appeared to be just about as popular as washing machines or cars at the time of the survey—each was owned by 7 or 8 per cent of income-holders. Since any single person over eighteen was counted separately, the proportion of households with these goods was rather higher. Some 10 per cent of households possessed television sets, while only 5 per cent of them had refrigerators, for which demand is the most influenced by income. The tenth of the population with the highest incomes owned only one-third of the television sets but two-thirds of the refrigerators.

Among managers and self-employed persons, about one out of six own a television set, compared with a proportion of one out of three who own a car. One reason for this is, no doubt, that such occupations predominate in the London area where television has been established longest. Also to be expected is the fact that owners of houses are more likely to possess television sets than those who pay rent. Perhaps, too, it is not surprising to find that, among people who rent their houses, television sets and washing machines are more often owned by tenants of council houses than of others.

OWNERSHIP OF DURABLE GOODS

Income group	Percentage in each group who own a: Television set	Refrigerator	Washing machine	Car	Motor-cycle
Under £200	2	1	3	1	...
£200—399	4	1	5	4	4
£400—599	9	2	9	10	4
£600—999	19	10	20	19	7
£1,000—1,999	25	32	23	44	4
£2,000 and over	38	61	35	76	3
All income-holders	**7**	**4**	**8**	**8**	**3**

Order and Bearer

In accordance with a Bill now before Parliament, an important change will be made, "from and after the 5th of July," in the law affecting stamps for receipts and drafts, or bills payable *on demand* to *bearer* or to *order*. This arrangement will prove to be of far greater importance to the public at large, as well as to bankers and the trading community generally, than at first sight is apparent. . . . Thus, in point of fact, a banker's cheque with a penny stamp, and payable *to order*, will have every privilege and advantage which a bill at sight has at the present time, including that of furnishing a valid and legal receipt for the amount, no matter how great. . . . As regards bankers, the high stamp duties chargeable upon bills at sight may be said to have led to their entire disuse, and to have introduced a system as clumsy and inconvenient as it is possible to conceive. The plan resorted to in order to evade the stamps at present is the use of letters of credit not transferable, and which entail both upon the issuers of them, and especially upon those on whom they are drawn, great trouble and inconvenience. In future these will be entirely discontinued, and bills *on demand* drawn instead, upon a uniform penny stamp, when the amount is above £2. By this means a bill payable to order, and transferable by endorsement from hand to hand, will be furnished at the low cost of a penny stamp. This advantage will be felt as much, if not more, in the trade between the various inland towns of the kingdom, between which remittances are made, as in their direct intercourse with London. A shopkeeper in any village or market town, wishing to make a remittance to some other distant local town, will obtain a draft *to order* from his banker upon London on *a penny stamp*, and the person to whom he remits it, in however remote a town in England, Scotland or Ireland, will be able to endorse it and receive the amount at once from his own banker, who will remit it to London to his agent for collection. At present this cannot be done except by the use of expensive stamps.

The Economist
June 25, 1853

Letters to the Editor

Proscribing a Party

SIR—I have noticed in various articles in your paper that there has been a distinct tendency to attribute the blame for the present situation in Kenya as much to the settlers as to the administration.

As someone with some small knowledge of Kenya conditions, may I attempt to correct that impression and point out that in this present instance the settlers should be absolved of all blame. It must be accepted that the present disturbances emanated from, and still in the main persist inside, the Kikuyu Reserve itself—an area which has been, since its inception, a complete preserve of the administration so far as planning and management are concerned. No settler at any time has been afforded the opportunity of assisting in the management of this particular area. This closed-shop policy has led to a great deal of the difficulties that Kenya is going through at the moment.

I, like my father before me, have been for many years a large employer of Kikuyu labour, most of whom were resident on the farm. They had their own council, schools for their children and clubs under their own management for their recreation, and not only gave loyal service but appeared a happy and contented community. However, owing to the fact that we settlers were not able to be in touch with events in Kikuyuland, and indeed were constantly assured by high-level Government spokesmen that all was well there, our resident Kikuyus became most vulnerable to the agitators that came out from the Reserve to spread their nauseous doctrine. Thus when the troubles started, we were suddenly faced with enemies in our midst and it became impossible to rely on any of our farm Kikuyu as it could not be ascertained who had been corrupted and who remained the same as before. This state of affairs not only caused some of the dreadful incidents which have occurred, but also did much to destroy the confidence between employer and employed.

I venture to say that had the Administration paid the same attention as the settlers to continuity of management and a personal knowledge of those they were dealing with, the present state of affairs in Kenya could never have occurred. One thing is certain and that is this: that in the future the administration and the settlers must work together in the planning of the natives' welfare and advancement wheresoever he may be resident. Both sides can help each other, for I know that, with a few exceptions, both settler and official are striving for the same object — sensible native advancement—which only co-operation between the two can achieve.—Yours faithfully,

DELAMERE

London, W.1

Armistice?

SIR—There should be general agreement with your excellent leading article of June 13th save on the major issue. You accept a divided Korea as inevitable, regardless of whether it can provide the basis of a durable settlement. The alternative to a united Korea is the re-creation of the conditions which provoked the war—two rival governments. Most pertinently you ask: "Is this dangerous relationship to be re-established?", well knowing that if your attitude prevails the answer must be yes, but carefully refraining from answering your own question.

Your implied conclusion is unnecessarily defeatist. It is premature to assert that "any early reunion of Korea can be achieved only by war." To most it must seem the other way round, that war *cannot* achieve the desired unity. It is untried and therefore unproven that "it would be both politically and militarily impossible for the allies to disarm or neutralise the ROK army."

A compromise solution might well prove acceptable to all parties on the basis of a neutralised unified Korea. The ROK might be persuaded to disband its army and turn the attention of its young ex-soldiers to rebuilding their country in exchange for the unity and independence of Korea, unobtainable by war, a seat in the United Nations and promises of continued large-scale economic and financial assistance. The Chinese might accept a solution which brought China into the United Nations and ensured that a united Korea was disarmed and neutralised. Japan, also, might be admitted to the UN as part of the agreement. The American and other UN governments, glad of a solution which offered the prospect of a genuine settlement, might agree to China's membership of the UN and the neutralisation of Korea.

A solution on these lines, if accepted in principle, would require the phased withdrawal of all non-Korean forces and their replacement by "neutral" UN security forces under a UN commission responsible, *inter alia*, for convening an all-Korean constituent assembly to draft a constitution for an all-Korean Government, maintaining law and order in the meantime and supervising the elections, and the reduction of the ROK army to police dimensions.—Yours faithfully,

GORDON EVANS

Sharperton, Northumberland

Revolt in Stalin Allee

SIR—Present international news shows up very clearly, I think, the strategy in the USSR's policy of "economic aggression." To see it clearly it is necessary only to look briefly at the course of events since the outbreak of the Korean war.

In 1950 the economies of all the non-Soviet-bloc countries suffered the shock of a Soviet-induced "war-boom," calculated to extend further the inflationary forces in them. Stock-piling in the US, and the general demand for raw materials for war and defence use whipped up to greater heights the postwar inflation, which was at that time showing some signs of abating. No doubt it was part of the strategy of the Kremlin to experiment with the economy of the free world, and to ensure that the amplitude of the boom would be as great as possible, in the hope that a following depression also would be a severe one.

When, in about mid-1951, the boom had reached the highest peak that might be expected, it was time to practise with a down swing—or so the Soviet considered. Perhaps impatience impaired their timing. However, with the opening of peace talks in Korea the recession duly started. We had a recurrence of dollar difficulties, and unemployment began to manifest itself. The Russians have probably been disappointed, first that no serious political ruptures between America and the sterling countries has ensued; and secondly that the neo-Keynesian world has been able to "contain" the onset of unemployment.

But success in promoting a free-world depression as a step in the post-World War II phase of the plan to discredit its economic and political systems was perhaps not really to be hoped for in one round. They would in any case have expected further rounds—although the first might, with luck for the Soviet, have been more successful. So, now that round one is clearly over, here we go again. Martial law is proclaimed in Eastern Germany and President Syngman Rhee seems to be playing into the Soviet's hand by raising (already!) the threat of a revival in the Korean war. Just how far it will be necessary to go this time in reviving the boom is yet to be seen. However, the sharper and more frequent they are, the greater the impression of instability they will convey to the free-world worker.

These thoughts suggest a reconsideration of the policy of "containment." Who is "containing" whom (or what), and at whose behest? It seems that the free world, in addition to pressing on with its work of developing its less-developed economies in the interests of higher living standards and basic economic stability, will have to extend its experiments in building up organisations like NATO in order to have, as far as possible, "built-in" stability in defence expenditure.—Yours faithfully,

R. J. WALKER

London, W.1

Books & Publications

A Hammer of the Slavs

THE RUSSIAN MENACE TO EUROPE.
By Karl Marx and Friedrich Engels; edited by Paul W. Blackstock and Bert F. Hoselitz.
Allen and Unwin. 288 pages. 20s.

THE editors of this book have perhaps been led astray by the ironic possibilities of linking such a title with two such authors. Had it appeared soon after the war, it might have served a real purpose. For Marx and Engels say, in brief, that Tsarist Russia wanted to control the whole of eastern Europe up to a line from Stettin to Trieste. One wonders why Messrs Blackstock and Hoselitz now think it necessary to point the moral that Soviet Russia shares these ambitions, which would indeed have been achieved already but for the Turks, the Greeks, and the Southern Slavs whom Engels called "ethnic trash."

The editors appear to belong to the now popular school of commentators who, hypnotised by the parallels often found between Tsarist and Soviet policy, assume that every Soviet action must have a Tsarist precedent. This is to look at Russia through dust-covered spectacles. Russia did not, for example, celebrate the five-hundredth anniversary of the capture of Constantinople, as it did the four-hundredth, by making war on Turkey. Its old obsessions may remain, but they take their place among new ones—particularly Russian interests in Asia, which take up exactly two sentences in the present book.

Its real value is incidental to the editors' purpose. It brings together some of the writings of Marx and Engels on Russia which have hitherto been hard to come by, and it adds the quarrel between Stalin and Engels over the causes of the first World War, Stalin urging that Alsace-Lorraine had as much to do with it as Constantinople.

The contributions of Marx and Engels are also seen to be most uneven, both in quantity and quality. Marx, apart from a talk on Poland and two items on Russian peasant farming, is quoted only for the two years 1853-55; Engels's contributions range from 1848 to 1894, and essentially the book is by him. Marx is not seen to best advantage as a prophet. He ridiculed the Tsar for bluffing in threatening war; when it was seen to be no bluff he attacked him for not doing it on a grand enough scale. He thought Palmerston a traitor in collusion with the Russians; Napoleon III "already tottering" in 1854; Austria and Prussia certain to join Russia in the Crimean War. He was sure that the Tsar would not allow his fleet to be blockaded in Sevastopol — which is exactly what did happen.

Marx was a young man of 35, wanting to get home from exile to a position of leadership in Germany, and calling for war against Russia because he believed that reaction would remain master in Europe as long as the armies of the Tsar were intact and ready to stamp out national movements, as in Kossuth's Hungary, let alone revolution. Short of general war, the European workers must encourage the Polish nationalists to keep the Russian armies busy and give the Revolution time to mature.

Impatient as he was, however, Marx appears to have had an inkling that some counterpoise to an otherwise inevitable German ascendancy must be found if the powers were to be induced to drive Russian influence from eastern Europe. Engels, with longer to reflect, neither saw nor cared. For him, the Czechs and Southern Slavs were "dwarfs of peoples" with no future, which was an error of judgment; and no past, which was an error of fact. He hated Panslavism, but failed to see that it originated in fear of Pangermanism, and that a Germany which despises the western Slavs instead of making allies of them must always drive them into the arms of Russia. His flatulent hectoring culminates in the threat that "we shall some day take bloody revenge on the Slavs."

The editors probably did not wish to present Engels as the precursor of beer-cellar Nazism and racial selectivity by the death camp. But they have been so infatuated by Russian parallels that others equally relevant appear to have escaped them. Even historical materialists can be the victims of temperamental and national bias in weighing evidence: this, rather than the too evident nature of Russian ambitions in Europe, is the real lesson of the book.

Shakespeare as Moralist

THE PHILOSOPHY OF SHAKESPEARE.
By K. J. Spalding.
George Ronald. 191 pages. 12s. 6d.

SHAKESPEARE'S traffic is with moral notions from first to last, and he seldom writes a speech or even a song which does not draw upon the vocabulary of ethics. Even the swallows are courageous, enterprising, hardy—only less so, indeed, than the daffodils—and his villains are almost as free with improving observations as are his senior statesmen. In the theatre Shakespeare owes his success not more to his poetry than to his ability to show with supreme force and clarity men and women as acting and suffering in a universe of good and evil. Mr Spalding, however, convinced that a spectacle thus farced with morals must be the creation of a moralist with a definable system, ignores too much: the formidable difficulty presented by the dramatic and personative form through which alone Shakespeare has communicated with us; the place, if any, of philosophical distinction in the achieving of artistic excellence; above all, the playwright's instinct always to argue both sides. Shakespeare's "philosophy" may be elusive because it consists largely in an indisposition to subscribe to one.

Nevertheless there is a sense in which Shakespeare, if he has any character as an artist, must evince some system of ethical predispositions—since, as Aristotle says, character gives us qualities and is shown in what men seek and avoid. Shakespeare vividly exhibits some spectacles and ignores others. The plays, studied against the background of their sources, prove him—in Professor Harbage's brilliant summary—"almost as determined an expurgator as Bowdler." But there is a difference. Bowdler's was a somewhat morbid activity. Shakespeare's impulse in choosing materials for his drama which shall both represent man's predicaments and reflect his dignity is consistently consonant with what we may think of as simple moral health. His sense of good and evil is acute and sharpens ours, but nothing is made easy.

Perhaps, seeking a verdict, we may say that Shakespeare is for life in its fullness, and that he rejoices in human passion and aspiration as these are controlled and sanctioned by the traditional wisdom of the race. Mr Spalding indeed does not himself proceed much farther than this. But his essay is independent—to the point even of ignoring a whole professional scholarship of its subject—and of much interest as a contemporary philosopher's reading of Shakespeare.

The Period of Scepticism

THE EUROPEAN MIND (1680-1715).
By Paul Hazard.
Hollis and Carter. 454 pages. 35s.

THIS book is a translation of an original and ambitious study by an eminent French scholar of the varied and changing intellectual climate of Europe during a brief but decisive period. Professor Hazard takes the whole of western Europe for his province and examines every aspect of its culture from moral and political philosophy to Italian opera and French fairy-tales. His chief interest lies naturally in France, where the defeats of the latter half of Louis XIV's reign provided a fertile breeding-ground for doubts and questions. "We had our contemporaries as far back as Louis XIV's time," Diderot wrote, and Professor Hazard shows how deeply and

on how broad a front the lines held by the defenders of tradition had been penetrated by the end of the seventeenth century.

The growth of scepticism is traced from a number of roots. Travel books extolling the virtues of the savage and the refinements of China made western standards appear both parochial and relative. History was discredited as prejudiced and untrustworthy, its scheme of world chronology shattered by its inability to accommodate the long tale of the dynasties of Egypt and China. Biblical exegesis undermined the old certainties, and members of the Catholic hierarchy were driven both to learn Hebrew and to make damaging admissions. Spinoza trained his guns upon the superstition and credulity that led men to accept tyranny from the State and persecution from the Church. Bayle savagely attacked religious myths and inexorably exposed the delusions, follies and crimes of mankind. The formal disciplines of mathematics and geometry were regarded as providing the only sure guides to truth. Algebra could be the subject of an ode.

M. Hazard's range of illustration is impressive and his manner agreeably informal. He has given us not a critical study of ideas but a crowded and impressionistic canvas on which he catches the swiftly changing and complex intellectual and moral tones of the period. Interested in exploring what Bagehot called the emotion of conviction, he examines ideas in their context of personality and describes polemical controversies in the form of conversation pieces. He opens his chapter on Bossuet with a description of Rigaud's majestic portrait and goes on to give the other and more accurate picture of a man embittered and worn down by his ceaseless war on scepticism, "a harassed workman, hurrying away to patch up cracks in the edifice that every day grow more and more alarming." And if he makes us hear again the firm voices raised in the debate between authority and reason, he is also able to catch the other notes of sentiment and enthusiasm. For if Diderot had his contemporaries in this period, so too had Rousseau. M. Hazard's impressionistic method is a dangerous one, but the range and firmness of his scholarship preserve him from the pitfalls. His use of metaphor, of the rhetorical question and the exclamatory comment belong to an established French tradition but often ring oddly in this translation, which tends to sacrifice English idiom to literal fidelity.

Chartists in Scotland

SCOTTISH CHARTISM.
By Leslie C. Wright.
Oliver and Boyd: Edinburgh. 242 pages. 21s.

DR WRIGHT has culled progressive periodicals—*The True Scotsman*, the *Scottish Patriot* and the *Chartist Circular*—national and local newspapers, parliamentary reports, contemporary pamphlets and secondary works, to produce what is no mere amplification of a story already familiar in outline, but an entirely new chapter in modern political and economic history. The standard works on Chartism will be searched in vain for anything more than passing allusions to events in Scotland; the assiduous reader of them would not suspect that there was a distinctive Scottish brand of Chartism.

The origins of the People's Charter and the first wave of agitation were essentially English, while from about 1843 until the final fiasco of 1848 Irish influence was dominant; but, as Dr Wright shows, there was a middle phase (1839-1842), when Chartism, moribund elsewhere, was kept alive and flourishing in Scotland. Here it inclined to constitutionalism rather than physical force, and the establishment of Chartist Christian churches and Chartist schools was typical—and typically Scottish. The demand for franchise reform interlocked with other reformist activities, so that Chartists were generally free traders, advocates of factory legislation and opponents of capital punishment; often dissenters, pacifists and teetotallers; sometimes republicans and even mercantilists—for the "movement" brought together strange bedfellows.

There are a few minor blemishes—for instance, the name of the inventor of the steam hammer was Nasmyth, not Naismyth. More seriously, one misses cross-references to the recent cognate studies of Professors Ferguson (1948) and Saunders (1950). In most respects, however, "Scottish Chartism" is a balanced and judicious survey, with the economic background skilfully portrayed. Dr Wright does well to challenge the facile fallacy about the "failure" to Chartism, and to stress the enduring value of its work of enlightenment.

Killers of Kenya

WHO KILLED KENYA?
By Colin Wills.
Dennis Dobson. 111 pages. 9s. 6d.

A PERSONAL but dispassionate survey of Kenya's problems, Mr Wills's analysis also has the advantages of compactness and readability. The Kenya that has been killed is the old Kenya in which the partnership of black and white, with the Asian as a useful member of the firm but with no status, was based upon a patriarchal and feudal order—an order which temporarily freed the black from war and want, and temporarily preserved for the white, in a world of revolution, a spacious eighteenth-century culture with more space than culture. But it nevertheless transformed and modernised the country. The killer of the old Kenya, however, was not the Mau Mau outbreak alone, but all the forces which

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are disrupting Africa—pressure of population, transport, soil erosion, industrialisation, town values, education (of all kinds), and the more intimate knowledge by black and white alike of each other's strengths and weaknesses.

Mr Wills gives due emphasis to each element in a complex situation, though the limits of space which he has imposed upon himself prevent any profound study of them—or of the possible solutions to the problems of a multiracial society such as he hopes the new Kenya will be. But these will form the substance of the Royal Commission's report, and meanwhile it is important to build up an informed and balanced public opinion upon the issues in Kenya, so that the action to be taken upon that report, and indeed as soon as the emergency permits, will carry public support. To its creation, this informed and sympathetic study of the conflicts in Kenya should make a useful contribution.

Evolution of Chinese Currency

MONEY AND CREDIT IN CHINA: A SHORT HISTORY.
By Lien-sheng Yang.
Harvard University Press. (London: *Geoffrey Cumberlege.*) 143 pages. 25s.

LIKE almost any other aspect of early Chinese history, early Chinese monetary history makes fascinating reading. The monetary system of Ancient China presented a strange combination of the use of very primitive currencies and the pursuance of remarkably advanced monetary policies. Professor Lien-sheng Yang, in his brief historical survey, appears to be more concerned with providing factual material about the various monetary systems that followed each other in close succession in China over a period of some thirty centuries than with the analysis of the various monetary policies. From this point of view his work compares unfavourably with Nancy Lee Swann's translation of "Food and Money in Ancient China"; this at least contains extensive quotations from early texts indicating various early monetary policies.

It is a pity that the author does not attempt, for instance, to interpret in detail the advice given to King Ching in the sixth century BC by his minister about balancing light and heavy coins according to the prevailing condition in the country. The Memorandum containing the advice has been quoted by a number of authors, Chinese and foreign. What we need is some authoritative interpretation of the suggested policy, based on a thorough knowledge of contemporary conditions in China.

However, the Western student owes a debt of gratitude to Mr Lien-sheng Yang for having made accessible in readable form the essential facts relating to the evolution of Chinese currency and credit throughout the ages. In particular the early Chinese experiments in paper currency between the eleventh and sixteenth centuries are described with a wealth of detail. The way in which various Chinese rulers drifted into inflation, notwithstanding frequently repeated resolutions to limit the issue of paper money, must appear familiar to present-day readers. Military expenses were the most frequent but not the only cause.

In early paper currency experiments the notes were secured by reserves consisting of silk or precious metals, but their convertibility was always suspended sooner or later. Subsequently notes were issued without any pretence of maintaining reserves and with no intention of ever making them convertible. Indeed in 1262 the use of gold and silver as media of exchange was forbidden. A little later all private trading in these metals was forbidden in an attempt to attract precious metals into the Treasury. As a result of advanced depreciation of the various note issues paper money became utterly discredited before it made its first appearance in the West, and its issue was suspended for several centuries. It was not until the establishment of foreign banks in China during the second half of the nineteenth century that the issue of notes was resumed.

The author does not devote much space to the difficulties of Chinese silver currency during the modern period. That subject has, however, a fairly extensive literature and Mr Lien-sheng Yang was wise in devoting the greater part of his space to less known chapters of Chinese monetary history.

German Geography

GERMANY. A GENERAL AND REGIONAL GEOGRAPHY.
By Robert E. Dickinson.
Methuen. 700 pages. 50s.

THE lack of a standard work on Germany has long left a gap in geographical literature in English, which has only partially been filled by Professor Dickinson's earlier and more specialised writings. The appearance of this book is therefore to be welcomed; the more so as it is obviously a work of major importance in geographical scholarship, valuable not only for the information it contains but also because of the insight it gives into the ideas and methods of the German school of geographers, little known in this country.

The book is divided into two halves, the first treating German geography systematically, the second regionally. As might be expected, it is in the social and political aspects of geography that the writer excels. The section on the regional variations in the political attitudes of the German people, for example, forms a most illuminating introduction to the detailed regional geography that follows. Here, and in many similar passages, is the kind of scholarly background to the facts of human geography that so many more superficial works lack. Similarly the geography of the human habitat, of the patterns of fields, farms, villages and towns, is exhaustively, often stimulatingly, treated. If by contrast some chapters, such as those on the physical geography of Germany and on industrial geography, are somewhat weaker, this does not prevent the first half of the book from providing a solid and sometimes brilliant foundation for the regional geography to follow. This second section is based on a carefully prepared series of detailed maps of terrain regions of all Germany, and is excellently illustrated.

If one has any reservation, it is that Professor Dickinson continues to give too much material, in too unbalanced a form. It is admirable to draw attention to the studies and controversies of German geographers that lie behind the book. But is it really necessary to describe them in such detail and number, to give, for example, two alternative and quite lengthy classifications of village types without any indication about which is considered the more perfect? Such discussions are surely more appropriate to a scientific paper, especially where, as often happens, their results do not materially contribute to the elucidation of the general and regional geography of Germany, which is, after all, the writer's intention. Although this is probably Professor Dickinson's most important book, which will long remain the standard work in this field, it would have been even more welcome had it been more drastically pruned.

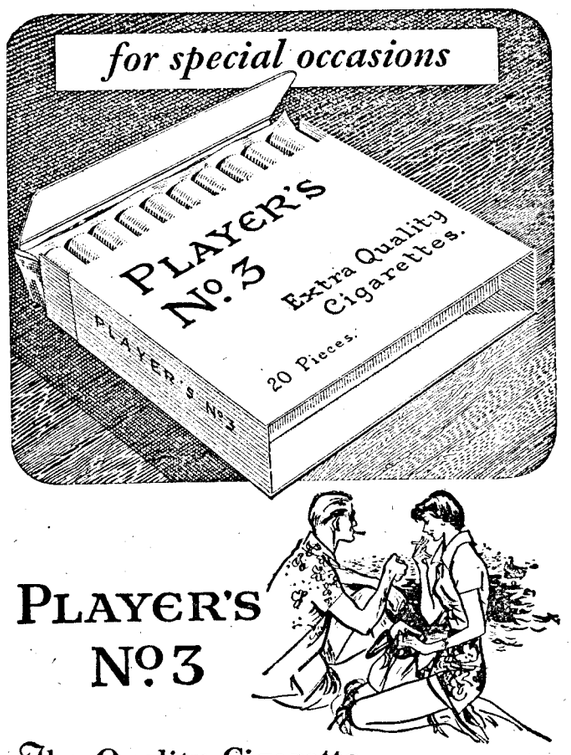
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Due Process

Washington, D.C.

FOR the nine Justices of the United States Supreme Court, the hectic turn of events in the last week of the Rosenberg case served to illustrate once more how difficult it is to determine the famous separation of powers upon which the American Constitution rests. As has often happened in the past, the Court found itself forced to deal with matters which, being of the most immediate political consequence, were the subject of acute and widespread controversy far beyond the judicial sphere.

Much of the fascination of the Rosenberg case in its final stages was due, in fact, to the way in which it lived several lives concurrently—as both a domestic and an international political issue, a human tragedy, and an intricate legal problem. The Court, of course, had to ignore the political repercussions, no matter how world-shaking, and confine itself to such technicalities as whether or not the Rosenbergs should have been tried under the Atomic Energy Act of 1946, instead of the Espionage Act of 1917.

Inevitably, there were many outside the Court who found this insistence upon the technicalities exasperating and irrelevant. To Representative Wheeler of Georgia, Mr Justice Douglas's grant of a stay of execution, so that the question of the applicability of the Atomic Energy Act could be further investigated, was grounds for impeachment for "high crimes and misdemeanours." The impeachment resolution, applauded in the House of Representatives, is not likely to emerge from the congested obscurity of a committee docket. But it is a powerful example of a pattern of congressional behaviour which seems obsolete in an age in which, as Congressmen never tire of telling each other, the eyes of the world are upon the United States and its rulers. Many members of Congress are not yet willing to forgo their ancient privilege of making gestures which are devoid of any purpose more serious than that of impressing constituents at home, but which are often frightening to people in other parts of the world who are not familiar with the rules of this game.

As for the Court, its recent duties have not been pleasant ones. There was no doubt that Justice Douglas acted within his rights in granting the short-lived stay. The Chief Justice, Mr Vinson, emphasised this in his announcement of the decision to vacate that stay order. Six Justices, with Mr Douglas and Mr Black dissenting, concluded that the death sentence was legal, on the grounds that the Atomic Energy Act did not limit the Espionage Act, and that the Rosenbergs' crimes were committed during wartime and before the Atomic Energy Act was passed. But the hurried calling of a special session after the Court had recessed for the summer, and the necessity, felt by a majority of the justices, of overruling a colleague's judgment were unfortunate, and the public clamour on both sides could not but becloud the legal points at issue and create confusion about the meaning of the Court's actions.

The Rosenberg case may be said to have provided a reaffirmation of the durability of American due process; in fact, the chief objection from a British point of view may be that there has been an undue amount of process: it is almost three years since the Rosenbergs were arrested, and over two years since they were first sentenced to death (Sacco and Vanzetti were executed six and a half years after they were arrested). The Supreme Court alone has acted on nine occasions in the case, six of them in the compass of the last week. The tenacity of the defence was able to exploit the very liberal rights of appeal which the American judicial system affords, on points of procedure as well as substance.

But whatever value the parade of judicial process may have had—by contrast, for example, with the technique of summary execution used by the Soviet rulers of East Berlin—it has been lost in the maze of complexity which has left many laymen puzzled and troubled, unsure of the technical rights and wrongs and perhaps all the more sure that such technicalities obscure the moral and political issues. This may be said of people whose views conflict sharply. Whether one wishes that Justice Douglas had been sustained in defending sacred human rights or that he had been ignominiously dismissed for befriending traitors, one can feel that the law and its processes have not, in this case, been especially clear or reassuring to the average citizen. This is not altered by the fact that the complexities of the law are in a sense merely consequences of its superiority over Soviet "people's justice," which is swift, unequivocal and unjust.

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The Court was not the sole repository of responsibility in the Rosenberg case. Only the President could have granted clemency to the condemned pair. Despite the mournful picket lines around the White House, it is safe to say that the movement on behalf of clemency was weaker in the United States than elsewhere in the world. On the other hand, perhaps opinion in other countries fails to appreciate the fact that Americans, too, have been made sick at heart by the Rosenbergs' protracted ordeal, and have been troubled by the fact that never before have American civilians been executed for treason in time of peace. But, since the case (unlike that of Sacco and

Vanzetti) lacked, in the eyes of the overwhelming majority of Americans, the one basic ingredient of a judicial tragedy —any real doubt about the guilt of the accused—the campaign for clemency had little chance of success, despite the skilful Communist attempts to exploit the pathos of the case to its full.

There was little indication, from the limited reports of Mr Eisenhower's discussion of the subject with a group of clergymen a few days before the execution, that the President was himself at all ready to see in the granting of clemency a wise political move that would prevent the creation of martyrs valuable to the Communist cause in the world. Even if he had been of a different opinion, however, and had therefore saved the Rosenbergs, it is all too easy to imagine the domestic uproar that would have ensued. Those who saw in so innocent a speech as that at Dartmouth College condemning "book-burning" a sign that the President was insufficiently sensitive to the threat of subversion would surely have found a host of allies.

When the Rosenberg case has faded into the limbo of *causes* once *célèbres*, some other landmarks of the Supreme Court term which has just ended may still be standing. The Justices postponed a final decision on the momentous issue of racial segregation in the elementary schools in the South, by referring the case back for reargument. Among the questions which seem particularly to have troubled the Court was the problem of what the practical effects of a decision against segregation might be. The *Washington Post* has commented that

> before drawing conclusions it [the Court] wishes to make certain also that it does not step out of its judicial role and get over into the field of policy-making.

But nothing could better illustrate the extreme difficulty of doing this very job of self-limitation than the fact that the Court feels it necessary to consider practical consequences in this matter. For example, the Governors of South Carolina and Georgia, backed by their respective State Legislatures, have threatened to close down the state school systems rather than accept unsegregated classes. As has been suggested on several sides, the Court may well have it in mind that the "great mistake" of the Supreme Court of the eighteen-fifties, the Dred Scott decision, in which the practical consequences of judicial action were notably ignored, played no small part in bringing about the Civil War. While no second "War Between the States" would ensue from the abolition of segregation—few believe even that southern schools would really close, whatever Governors Byrnes and Talmadge may threaten now—it is still important, for the sake of the Negroes themselves, that the Court avoid what Dr Frank Graham, a very liberal southerner, has called "unwise compulsions." Its members, all of whom were appointed by Democratic Presidents, must provide both an element of continuity in the changing political atmosphere and an agency for social and political change at the highest level of statesmanship.

In the meantime, a much smaller but nevertheless worthwhile advance was made this term in the decision forbidding segregation in the restaurants and cafés of Washington, D.C. Perhaps one small hint of the practical consequences to be expected from moves in this direction was afforded to the Justices—and other Americans, for that matter—by the complete lack of untoward incidents which accompanied this change in the nation's capital, which is, among many other things, a southern city.

Research—Servant or Master?

FROM A SPECIAL CORRESPONDENT

THE choice of Dr Nathan Pusey, a student of the humanities and Greek civilisation, to succeed Dr James Conant, a physical scientist, as President of Harvard University seems to many Americans a reminder of the dilemma which the colleges and universities now face. In this instance, those who made the choice insist vehemently that it was the man, not his field of study, that attracted them, and they deny that they turned deliberately away from science to the classics. Yet in the mood which prevails among people interested in education the choice continues to attract comment. Those who, having watched with alarm the social sleep-walking of such scientists as Dr Karl Fuchs, deplore the narrow rut in which scientific training sometimes confines its students, now talk hopefully of a swing back to more general education and to spiritual values. (They forget that it was the scientist Dr Conant who set up Harvard's "general education plan" for undergraduates some two years ago.) Those who, like Dr Vannevar Bush, have long been urging that America needs all the scientific training her young people can be given, fear for the future if this choice does indeed represent a return to older ideals.

The struggle between science and the humanities for the attention of educators is, of course, not new, but in the United States it has sharpened as both government and industry have for a decade poured more and more money into organised research. The United States now spends a billion and a half dollars a year on higher education in colleges and universities, both public and private. This money comes from student dues, private endowments and gifts, local and state tax money, corporate generosity, and grants from the federal government. Depending on whether the institution is large or small, privately established and endowed, or financed by the state, the pattern of support, and its effect, varies widely.

In 1950 some $200 million, or 14.2 per cent of the total spent, was allotted to organised research, almost treble the amount in 1930. Even in 1940 the proportion devoted to research was only 5.6 per cent. Most of this expansion must be charged to war and the fear of war, which drove home the importance of scientific research to industrial and military power. Much of the increase in research funds comes from the federal government, which is supporting atomic research on a scale only to be described as gigantic.

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Of the $196 million in federal money which went to higher education in 1950 (this does not include help for ex-servicemen) two-thirds, or $131.5 million, was for definite research done according to contract specifications. Thus the University of California was paid $25 million for work at the atomic centre at Los Alamos; the University of Chicago operated the Argonne National Laboratory on a similar basis; the Jet Propulsion Laboratory is manned by the California Institute of Technology; and so on. Half the federal money spent on research under contract goes to eleven large projects serving the cause of national defence. At the same time a third of all private benefactions to higher education is also earmarked for research, while half of the funds granted by business corporations and foundations, some $35 million in 1950, is for the same purpose.

Obviously, the weight of all this money is considerable in college budgets, and so is that of the pressures which go with it. In 1947, when the President's Scientific Research Board declared that the rapid extension of scientific knowledge had become a factor in the national survival, those pressures were resented chiefly by classical scholars who found their departmental budgets cut for the sake of a new laboratory; by now the cries of pain have become louder and more varied. It is doubted whether educational institutions can turn themselves into research factories and still educate. And there is a danger that the small liberal colleges which have played so large a part in training American leaders will go bankrupt because their traditional courses attract neither the government nor the corporate giver.

The American Council on Education has appointed a committee on institutional research, to study the problems posed by what has come to be known as "sponsored research," most of it, of course, in scientific fields. This report, available only in preliminary form, sums up charges which are made in many quarters. First, sponsored research has brought welcome income to many colleges, "but it is threatening the present financial stability and future independence of some professional schools and entire universities." Secondly, it keeps too many people occupied on research, and thus deprives the educational world of too many potential teachers. Thirdly, it lays too much emphasis on the value of group research and gives too little consideration to the fruitful by-ways of the individual scholarly mind. Fourthly, it subordinates the humanities to the work of materialistic, and frequently destructive, scientific inquiry.

Few college presidents with a sense of public duty and a budget to be met can work their way out of these dangers by refusing government or corporate funds, or by repelling the pressures which go with them. Cash sets up its own demands, and neither government nor corporation is likely to give without a specific end in view. Scientific research can no longer be brushed aside as irrelevant to an institution's main purpose in a period when, as the Carnegie Corporation says,

> the intellectual climate in which we live has been fashioned in no small part by the physical and biological sciences, and no educated man can ignore their contributions, nor indeed frame a philosophy without them.

Yet at the same time the American Council on Education finds that

> the concentration of support on the physical sciences, to the virtual exclusion of the humanities and social sciences, may distort existing relationships among the various disciplines, with regard to undergraduate and graduate instruction as well as to research. . . . The situation has created a new problem of great importance to the nation.

What can be done about this problem, without risking a weakening of the nation's scientific strength and hence its industrial and military prowess, is a growing question.

So far the nettle has only been grasped with padded tongs. A report made for the Social Research Council asks "some freedom for independent scholarly research" on the apparently heretical ground that there is "no effective substitute for the individual human mind as an instrument for making fundamentally new discoveries." The American Council on Education has before it a list of suggestions related respectively to the various elements in the problem. It is proposed, for example, that there should be no restriction placed by the government on the publication of the results of research done under its contracts; that industry should pay the overhead cost of the research which it orders as well as the mere direct costs; that research aimed primarily at the production of weapons should be avoided; that the federal government should not demand short-term research on specific problems, but "give greater recognition to the crucial importance of fundamental research as the essential basis for long-range programmes of scientific and cultural development." The word "culture" occurs so seldom in these discussions as to cause almost a shock. Timid as such proposals may seem, their phrasing represents to some extent a recognition of the great tides of change which, for good or ill, are sweeping the American academic world.

American Notes

EDC or Else

THE sharp battle which was fought in the House of Representatives, and which the Republican Administration could not have won without the staunch support of the Democrats, over the first big foreign policy issue to come before the new Congress, the authorisation for foreign aid in the coming 1954 fiscal year, is certain to be repeated when the actual appropriation of funds is debated. The result then is likely to be less favourable to the Administration, and to America's allies. For Senator Taft has promised to look at the appropriation more severely than he has at the authorisation. The version of the Bill which is before the Senate would permit $5.3 billion to be spent, while the House has authorised just under $5 billion. This compares with Mr Truman's request for $7.6 billion last January and is almost half a billion less than even the present Administration thought it needed.

A compromise between the House and the Senate Bills will probably mean, however, that the final authorisation will come to over $5 billion. This would apparently be enough to satisfy the Administration, especially if President Eisenhower is given greater freedom to transfer funds from one area to another to meet changing conditions, something which Republican Senators think he should have. The House cuts fell entirely on Europe and the Middle East, leaving the amounts requested for the Far East intact. The feature of the House Bill to which the Administration does take serious exception is the provision, first proposed by a Democrat, Mr Richards, that half the $2 billion allotted to Europe should not be made available until the European Defence Community has been established.

This latest attempt to drive Europe into uniting would not affect arms shipments immediately, for they are being paid for with funds already appropriated, but it would mean that no new contracts for military deliveries to Europe

could be made before the EDC pact was ratified, which can hardly be before the late autumn. Furthermore, the effect of putting such a pistol at Europe's head would almost certainly be the opposite of that which Mr Richards intended. Instead of helping to get the treaty through European legislatures, as he hoped, it would make the situation much more difficult for the advocates of the measure. The Senate Bill, so far at least, does not contain any such restriction and the Administration is working to ensure that the clause will be eliminated in conference, and that the House will agree to the elimination.

Goodbye to Controls

THE Defence Production Act, which for the purposes of headline writers has been the "Controls Act" ever since it was passed nearly three years ago, no longer justifies the abbreviation. The House and Senate conferees who agreed to extend the Act for two years have cut out even the feeble Senate proposal for a 90-day freeze of wages and prices and control of credit in an emergency. This is no great loss. Senator Capehart's original intention had been to enable the President to act alone in circumstances, such as an atomic attack, which might make it difficult to convene Congress. But, impressed by Senator Taft's argument that controls should have no place in a Republican Bill, and that the President should not be given too much power, the Senate in the end insisted that the freeze could only be put into effect by a Congressional resolution. The Administration itself, which is more worried about a post-Korean slump than about the risk of another bout of inflation, showed little interest in the proposal.

The conference Bill extends for two years, to June 30, 1955, the present powers to allocate scarce materials and impose priorities, and continues the loan and purchase programmes established to encourage certain types of defence production, particularly of metals. A new and narrower definition of national defence limits the scope of allocations and priorities, but the Administration had already decided that after July 1st, when the Controlled Materials Plan vanishes, only defence industries proper would continue to enjoy allocations of steel, copper and aluminium.

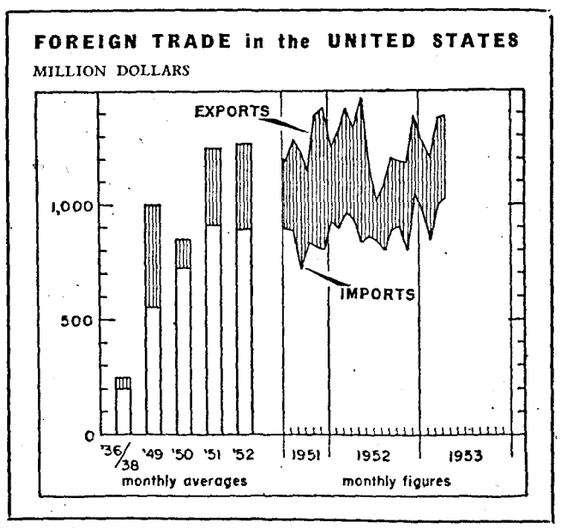
Shorn of controls and of the notorious "cheese amendment," the Defence Production Act, formerly a legislative catch-all, becomes exactly what the name implies, with one exception—and it is an exception which the Senate is refusing to approve. This is the proposal to create a Small Business Administration to make loans of $100,000 and under to small firms and to see that they receive a fair share of defence contracts. Loans, hitherto, have been available from the Reconstruction Finance Corporation, which is under sentence of death; battling for contracts has been the work of the Small Defence Plants Administration, which expires this month. The House wants both these functions to be concentrated in one permanent agency. But in the Senate irritation that a proposal on which there have been no Senate hearings should be offered as part of a conference Bill which is not open to amendment has led to a rejection of the measure. It has been returned to the conference committee, with the suggestion that, instead, the Small Defence Plants Administration should be continued.

Stranded Shipping

THE shipping companies have as usual given the seamen's union all that it demanded, after little more than a token strike. The wage rises which the men have won, ranging from 2 to 6 per cent according to grade, are, again as usual, better than any other union seems to have achieved this year and the seamen have increased still further their already substantial advantage both over workers in American industry and over seamen in other countries. This explains why American ships are unable to compete now that freight rates are falling with the revival of European shipping, and the slackening of the pressure that arose out of the Korean war. The proportion of the country's foreign commerce transported in American bottoms has been halved since 1950, and in January this year only some 25 per cent of cargoes coming to and leaving United States ports were in American ships. The tramp shipping companies maintain that the regular lines give in too easily to the seamen's union, and thus make the whole industry suffer, because, when their costs rise above foreign costs, the difference is made up by an operating subsidy from the government. The tramp and other unsubsidised owners therefore argue that government aid should be available for all shipping companies.

The new Administration, which is studying every aspect of the maritime question in an effort to work out a long-term policy, is meanwhile trying to speed up the payment of outstanding operating subsidies, at a cost of $65 million for the coming year. But it has held up all new subsidies for shipbuilding, thus saving $118.5 million, and moreover after some difficulty it has managed to induce Congress to agree to this measure. This means that American shipyards, which have had no new orders for ocean-going vessels this year, will continue to be left high and dry, while American companies turn to other less expensive yards, notably in Japan.

The case for shipbuilding subsidies is based largely on defence needs; not only is a skilled shipyard labour force desirable in time of war, but also a large up-to-date merchant fleet of freight vessels and oil tankers. Much of the present



American cargo fleet is obsolescent, and furthermore a spokesman for the Defence Department has told Congress that an addition of 165 cargo ships, 43 tankers and 6 passenger liners, or troop carriers, is needed for security reasons. But the special features which he said were wanted would make the ships unprofitable to operate under normal conditions, and in any case there is no commercial demand for such an expansion of the merchant fleet. It therefore seems that the new Administration will have some difficulty in achieving one of its aims, which is to induce private firms to take a greater interest in the financing of new shipping projects.

McCarran's Veto at Uno

SENATOR MCCARRAN evidently means to be numbered among the great powers exercising the veto over United Nations affairs. When the new Secretary General, Mr Hammerskjold, returned to the United States he was greeted with the news that the Senate, without a dissenting voice, had passed the Senator's Bill making it a criminal offence, punishable by a $10,000 fine or five years in jail, for an American to take a job with the United Nations unless his loyalty to the United States had first been attested by the Attorney General.

The principle that the United Nations will not employ Americans disloyal to their own country has already been accepted. Mr Lie discharged forty Americans after receiving adverse reports on them, and Mr Hammerskjold, by ending the employment of Mrs Glaser, of the reference library, has made it clear that he will take action against Americans who refuse to answer the questions of Congressional committees about possible Communist affiliations. Machinery to screen American employees of the United Nations was created by Mr Truman last January after the Senate Internal Security Committee's investigations, and has been continued, in a somewhat different form, by President Eisenhower. The broader standard of security replaces that of loyalty, but the right to a hearing, with legal aid, is assured to those under investigation. Both Administrations have respected the authority of the Secretary General to choose his own staff, which was granted by the Charter. The conclusions of the screening authorities are forwarded to the Secretary General, but the decision whether to act on them remains his.

It is this freedom Senator McCarran would end. Even the existing loyalty programme may, it is feared, encourage other countries to demand a similar right to screen their own nationals. But if the McCarran Bill becomes law, Mr Hammerskjold's technical freedom to employ any American he likes will be meaningless if the only result is to send the employee to jail. The State Department opposes the Bill as a violation of the Charter, and the Department of Justice as an unnecessary duplication of the existing machinery. Whether the President will veto it is another matter, but he has had ample warning this time of the intention of Congress to dictate to the United Nations, as he apparently did not when Congress was considering the rider to cut off United Nations funds if the Chinese Communists were admitted.

Undermining the Interior Department

THIS Republican Senate may be about to see a repetition of the deadlock which arose in the last one, in 1947 and 1948, over the appointment of a new director for the Bureau of Mines. For the nominally Republican president of the United Mine Workers, Mr John L. Lewis, is no more favourably disposed towards the man, Mr Tom Lyon, whom the Republican President of the United States has nominated to head the bureau than he was towards Dr James Boyd whom President Truman nominated in 1947. It took two years, an election and a coal strike, which put senatorial backs up, to get Dr Boyd confirmed and President Eisenhower is courting a similar clash by sending Mr Lyon's name to the Senate, after delaying the nomination for two months while he considered Mr Lewis's protest.

Mr Lewis's opposition has been stimulated by the new Administration's wish to economise on the bureau's plans for making synthetic fuel from coal, a project which Mr Lewis had hoped would provide a much-needed new market for his miners' output. His official reasons for objecting to the new appointment are two: that Mr Lyon is not qualified, since his experience has been in metal mining, not in coal mining (with which only about 20 per cent of his duties are actually concerned); and that Mr Lyon is an anti-labour man who was chosen for political reasons (by which Mr Lewis really means that he, not local Republican officials, should have been consulted first).

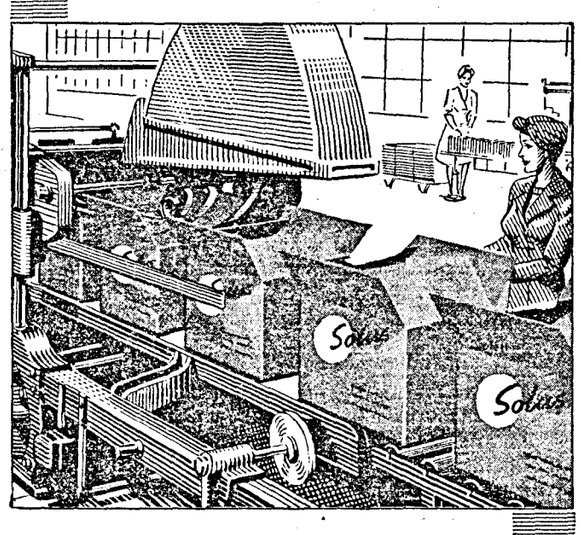
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There seems in fact less reason to object to Mr Lyon's nomination than to those of other new bureau heads who were chosen for the Department of the Interior at the same time. The directorship of the Bureau of Mines has been the subject of political patronage before, but this is not so in the case of the far more influential Bureau of Land Management responsible for grazing, afforestation and mineral rights on nearly half a billion acres of federally owned land. Yet Mr Clawson, the career civil servant who held the post, was replaced by a Republican outsider who had been state land commissioner in Idaho. The appointment to this position of a man who had such a special interest has encouraged the suspicion that the Eisenhower Administration may be preparing to hand public property over to state authorities.

But at least Mr Clawson does not seem to have been an entirely satisfactory administrator while there have been no such charges against Mr Day, of the Fish and Wildlife Service, another civil servant who was demoted to make room for a political appointee. It was argued that this change was made not so much to reward a Republican as to punish Mr Day for having offended Republican salmon canners and duck hunters, by insisting on strict game preservation practices.

The Department of the Interior was perhaps more closely associated than any other with the development of the New and Fair Deals and it is therefore only natural that a Republican Secretary of the Interior should want to select men on whose sympathies he is sure he can rely for policy-making jobs. But for the same reason it is also only natural that appointments at the department should be closely watched by those who fear that Republican reactionaries will undermine the civil service and sacrifice the interests of the people to the claims of big business.

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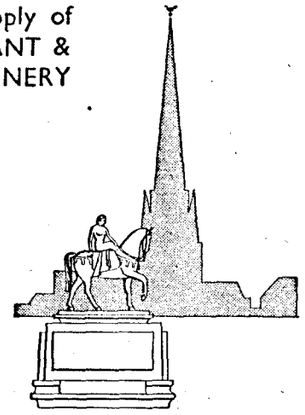
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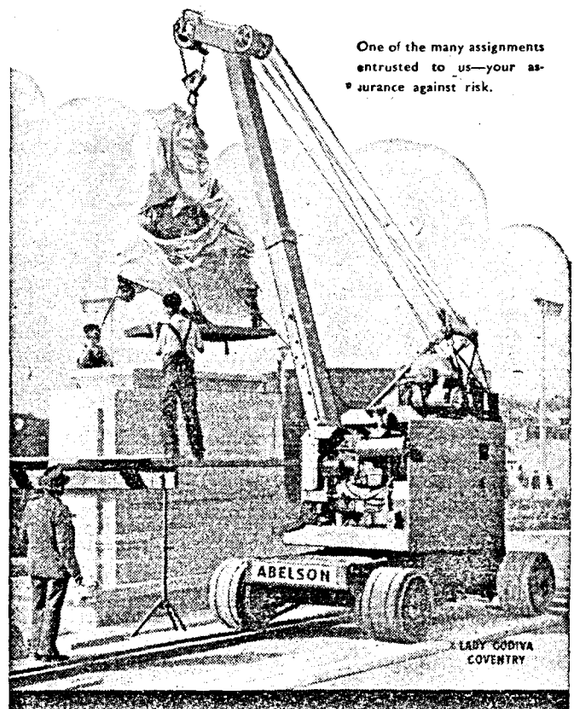
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The World Overseas

Malaya's Road to Independence

FROM A CORRESPONDENT IN MALAYA

IT is just five years since the emergency began in Malaya. General Sir Gerald Templer's reported remark this week, that it will go on until the Malayan Communist party is convinced that the Communist world revolution will not succeed, reflects not an admission of government defeat but the triumphant fact that, so far as the struggle in Malaya is concerned, the Communist rebellion has been crushed. There will continue to be a running fight between the security forces and any terrorists who remain in the boundless jungle. But the scale of that fight has been so reduced—and General Templer, as High Commissioner, estimated that it could still be reduced by 15 or 20 per cent—that conditions of something approaching normality have been restored in most parts of the country.

This anniversary marks in fact a clear switch of priority from the military to the political field. The struggle now is to build a new and self-governing Malaya, and two events lately shed light on the difficulties which still remain to be overcome on this road to freedom. What is described as a national conference to plan Malayan unity and independence has recently set up, at Kuala Lumpur, a working committee to further these aims. The sponsors considered that all interests, races, creeds and colours should discuss together and compose any differences between them. One of the leaders of the movement stated that

> We want the Templer type of protection, the type which plans and creates the Federation army, navy and air force, not the protection of the prewar type which had one foot lightly in this country and the other in the Indian Ocean so as to make a quick getaway in time of trouble. We want the Malay rulers because they are symbols of authority which can combine the heterogeneous population that lives in this land.

These remarks are illuminating. They are commonsense in that they face the fact that Malaya's greatest need now, and for years to come, is protection, which is both Britain's excuse for continuing to rule Malaya and its justification for doing so. The point has been made that it should be a real protection; without Britain's power Malaya would be blown about like a withered leaf. It would grow again, but if Britain let the catastrophe of rebirth happen in this way it would be throwing aside a very real trust.

Commonsense is not, however, the strongest suit in Malayan politics, and right though they may be, these ideas are unlikely to bring the nation together at this stage. It is more probable that they will result in yet further disunity. The immediate outcome was a boycott of the conference and the working party by three of the leading political organisations—the United Malays National Organisation (UMNO), the Malayan Chinese Association (MCA)—recently allied with UMNO—and the Pan Malayan Labour Party. General opposition flows from the idea that only political bodies should have the right to discuss and vote on such matters. The national conference has been attacked as being "one-sided and undemocratic," which on the face of it seems hard to justify, since the meeting was open to all.

The second instance of internal differences and rivalries comes from a speech delivered by Dato Onn bin Ja'afar at a meeting of the Independence of Malaya Party when he accused the leaders of the Malayan Chinese Association and the Associated Chinese Chambers of Commerce of plotting for political power and seeking to turn Malaya into China's 20th province. Dato Onn is the Chairman of the Independence of Malaya Party, but he claims to have spoken on this occasion as a private member of that body. He is also Member for Home Affairs in the Legislative Council and is thus a member of the Government. In the Legislative Council a Chinese member, Mr Tan Siew Sin, brought against him what amounted to a motion of censure, and the business of governing Malaya was set aside for two days in favour of a protracted and at times heated debate over a political wrangle. A European member pleaded that "We should cease bleating glibly about a united Malayan nation until there is more evidence that such is a practical possibility." Pointing to the evidence that Malay and Chinese leaders were at loggerheads, he added, "One can only conclude that this state of affairs seeps down through all the layers of society and that we are far from being truly united." The truth of his remarks was only too evident from several of the irresponsible contributions to the debate. The outcome was a vindication for Dato Onn. In a Legislature numbering 75 only nine were found to support the motion, with 40 against. Those abstaining were chiefly official members, who probably took this line mainly in order to avoid becoming embroiled in local politics.

To the impartial onlooker the whole pattern of the picture is unrealistic and immature, and there is clearly a need to get back to thinking on first principles. Ever since the war the people of Malaya have been encouraged to think about self-government, and under Labour rule in Britain those who undertook the task of ruling Malaya were frustrated by a blind adherence to the theory that self government was right and anything else necessarily wrong. For any sort

of government to be right it must be truly in the interests of those governed, who should be the best judges of where their interests lie. This, however, assumes that they have the understanding to judge and the ability to give expression to their opinions. We are disgusted with the humbug of the Communists when they stifle public opinion for party purposes, and yet we are doing much to expose the people of Malaya to these same conditions.

Under British rule, before the war, large numbers of Chinese and Indians were sufficiently attracted to the conditions in Malaya to want to make their homes there ; it was possible to live at peace and with reasonable prosperity. The war shattered former expectations of security and it severely damaged Britain's reputation as a protector, but it also showed what could happen when the British were not there. There can be little doubt that a very great many of the ordinary folk in Malaya would prefer conditions of peace and security to a theoretical freedom which provided very little in the way of tangible day-to-day benefits. The demand for self government, such as it is, comes from the local politician, who is attracted by the prospect of power and eminence that lures politicians all the world over. The present trend in Malaya is for those seeking such power to found their own political parties as preparatory schools, as it were, for the parliament to come.

These parties, however, reveal a clash of interests. Not only are there differences, varying from left to right according to the normal political pattern ; there are also dangerous communal differences. Here is the core of the problem. Malaya contains Malays who are Malays, Chinese who are Chinese and Indians who are Indians. The search for power cannot be divorced from the idea of communal domination.

General Templer, a man who has not been afraid to govern, has led the way in his insistence on a common Malayan nationality though not necessarily a common culture. Given time the idea will gain ground, but at present the human factor stands in the way of any rapid racial adjustment. It may be a generation before a common nationality is instinctively and sincerely accepted. Britain, therefore, can best serve Malaya by allowing its people time to reach the goal of self government in their own way. To force the pace will throw the whole problem out of proportion and accentuate local rivalries.

The Balkan Alliance

BY A CORRESPONDENT

IN the gloomy political landscape of postwar Eastern Europe the one bright feature is the growing community of purpose between the three states of the Balkan Peninsula which have escaped the Stalinist yoke—Greece, Jugoslavia and Turkey. Ever since the expulsion of Jugoslavia from the Cominform, their relations have improved. During 1952 the three governments began to negotiate for a closer and permanent association. In February, 1953, a Treaty of Friendship and Collaboration was signed by the three Foreign Ministers in Ankara. This is not a full military alliance ; it obliges the signatories to consult on matters of common interest, and provides both that the three Foreign Ministers should meet at least once a year and that the General Staffs should jointly examine problems of common security. The first General Staff discussions were completed the other week. The fact that Jugoslavia is not in Nato sets limits to military co-operation, since Nato plans cannot be disclosed to non-members. But already an atmosphere of trust and even of cordiality has been achieved. The Balkan treaty has transformed the basis of defensive strategy in the Eastern Mediterranean.

Between Jugoslavia and Greece there has seldom been enmity, and often mutual respect and friendship, marked at times by warmth of feeling. Since the 14th century there has been no serious conflict between Serbs and Greeks. In the present century the two nations fought together in the First Balkan War against the Turks, and in the Second against the Bulgarians. Since then they have been united by common fear on the one hand of Italian expansion, and on the other hand of Bulgaria, the tool in turn of Hitlerian and Stalinist imperialism. The exception was the period 1944-1948, when the ideological conflict placed Jugoslavia on the side of its old Danubian enemies, against its old allies in the south and the west. But today there is no conflict of interests between Jugoslavia and Greece : the most that can be said is that there are differences of outlook on certain problems.

Misunderstandings about Macedonia

Fifty years ago the whole of Macedonia, then under Turkish rule, had a mixed population, in which Slavs predominated and Greeks were a minority, largely though not wholly consisting of scattered urban communities. The partitions of 1913 and 1918 gave Greece a large part of Macedonia, in which the Slav element was still extremely strong. When after the Turkish victory over the Greeks in 1922, a million and a half Greeks were expelled from Asia Minor, many of these were settled in Macedonia, and most of the Slavs and Moslems were in turn sent to Bulgaria or Turkey. Thereby Greek Macedonia became a land of compact Greek population. Today Slav-speaking inhabitants in Greek territory are an insignificant minority. But these facts have not been fully recognised outside Greece. Bulgarian imperialists continued to claim all Macedonia, and in the years 1941-44 their German masters partly gratified their wish. The Macedonians of Jugoslavia, who since 1913 had fought the Serbian nationalist policies pursued by successive Belgrade governments, received the status of a constituent republic under Marshal Tito's new Constitution of 1946. In the exuberance of their new-found autonomy, they began to talk of "liberating" Aegean Macedonia from the Greek yoke. The Belgrade government, eager to humour the Macedonians, would have found it hard to restrain their firebrands even if it had wished : in the ideological conflict of the first postwar years, with civil war raging in Greece, it did not even wish it.

Since 1949, however, there has been no more such talk. There can be no doubt that Jugoslavia has now abandoned aims of expansion at the expense of Greece. It may be hoped that the Jugoslav leaders will lose no chance of informing their subjects of the fact that Greek Macedonia is not Slav territory, or even mixed territory, but a purely Greek land. The point needs to be made, for until recently there were many Serbs, and even Croats, including persons of both left and right and persons who had no ill feeling for Greece, who still believed the view which has so long been spread by the propaganda of Bulgarian imperialism.

Jugoslav and Greek views of Bulgaria certainly differ. To most Greeks, hatred of Bulgars is a dogma. In fact it is possible that more Greeks hate Stalinism because they imagine it to be Bulgarian than because they really understand the nature of its menace. The Jugoslav view is more sober than the Greek but also more complex. It has varied, during the last fifty years, between a belief in South Slav brotherhood, verging on Panslav sentimentalism, and a hatred which is the more intense because it is based on intimate knowledge of its object. Today the differences between the Greek and Jugoslav view matter little. Tomorrow, when Bulgaria is no longer Stalinist, the Jugoslavs may have an important part to play in helping Greeks and Bulgarians to live in the same world.

There is also a difference in attitudes to Albania. Greece claims "Northern Epirus," which has traditional associations with Greece but whose population is Albanian, Jugoslavia includes a province (Kosovo-Metohija) inhabited by 700,000 Albanians, about half the population of the whole Albanian state. Jugoslavia would perhaps prefer a united Albanian state closely associated with itself, assuring by its friendship easy access to the Adriatic at its narrowest point. This would not threaten Greek interests, nor are Greek claims incompatible with Jugoslav aims. But Italy, bitterly hostile to Jugoslavia as a result of the Trieste question, is suspicious of any Jugoslav influence in Albania. Greece, wanting the friendship of both Jugoslavia and Italy, is naturally keen not to be embroiled in their quarrel.

Greco-Turkish Reconciliation

Greeks and Turks have a long tradition of enmity to live down. Since 1930, when the statesmanship of Venizelos and Ataturk made the first step towards reconciliation, Greco-Turkish relations have entered a new phase. But the expulsion of the Greeks from Asia Minor, which deprived Turkey of many of its most able citizens, increased the population of Greece by a quarter, and permanently disorganised the Greek economy, was a catastrophe for the whole Levant, and its effects could not be quickly forgotten. The Turkish attitude to Greece during the Second World War left much to be desired, and the treatment of Turkish subjects of Greek origin under the provisions of the Turkish capital levy of 1942 was bitterly resented by their kinsmen.

Since the war, however, there has been a remarkable improvement. The common danger from Soviet imperialism is, of course, the main reason, but the Democratic administration of President Celal Bayar also deserves great credit. The Greek community in Turkey are no longer made to feel second-class citizens. Greater religious toleration has benefited not only Moslems but also Orthodox. In Greece it is believed that the Oecumenical Patriarch of Constantinople, Athenagoras, has done much since his election in 1949 for Greco-Turkish friendship. In short, a quite different atmosphere is being created.

Of Jugoslav-Turkish relations there is much less to say. Enemies in the past, they were associated in the Balkan Pact of 1934. In the first postwar years Jugoslavia's adhesion to the Soviet camp, and Soviet threats to Turkey, estranged them. Today they have a common interest in resisting the same danger. They also have much to gain from mutual trade. Jugoslavia needs Turkish cotton, and to some extent Turkish cereals. Turkey needs Jugoslav timber products, and as Jugoslav industry develops it will find Turkey a valuable market.

The Balkan Entente of 1934 was a failure for three reasons. Memories of enmity were too recent ; German diplomacy and trade was able to drive wedges between the partners ; and, above all, the members of the Entente feared different great Powers, and could not combine against them all. Today things are simpler ; and for all the differences of regime and ideology, the three Balkan states are bound by a firmer solidarity than in the past. If their human and material resources can be rationally organised, they can prove a powerful bastion of the free world.

"Operation Nenni"?

FROM OUR ROME CORRESPONDENT

THE political uncertainties bequeathed by the election results of June 8th have now crystallised into the dual question: Can an "Operation Nenni" be shirked ? Can it be risked ? By "Operation Nenni" is meant Christian Democracy, in the person of Signor De Gasperi (or his as yet quite invisible successor), compounding with Signor Nenni, leader of those Socialists who have hitherto qualified as fellow travellers, in order to obtain the co-operation of the latter in a future government.

"Operation Nenni" was implicitly suggested by the party of Nenni himself when, on June 7th, he led it to the polls no longer officially linked, as in 1948, to the Communists, and having for its slogan the ambiguous words "Socialist Alternative." It was an ambiguous phrase because the Italian elector was allowed to suppose that the alternative to the sterile deadlock between a Christian Democracy wielding the political power and a Communism controlling the trade unions could be resolved by a Socialist Middle Way and that Nenni's party could lead Italy along it. The first to denounce the disingenuousness of this appeal were the Saragattian Social Democrats, more or less reliable allies of Christian Democracy these last six years, who told the electorate not to be so foolish as to imagine that Signor Nenni had any other possible line of conduct but subservience to the Communists.

Some part of the electorate undoubtedly voted for Signor Nenni in the hope or expectation that Christian Democracy, missing an absolute majority in Parliament, would have to come to terms with somebody else besides, or instead of, its usual allies, the three small "lay" parties. Their vote meant that they wanted this somebody to be Signor Nenni on the left instead of the Monarchists on the right. The election results have, however, been what nobody could expect: a narrow defeat of Christian Democracy and its traditional allies in the national poll, which deprived them of the automatic large parliamentary majority ensured to the winner by the 1953 electoral law, combined with a fortuitous success in the single constituencies. This enabled Christian Democracy, provided it remains fully backed by its "lay" allies, to maintain a marginal control over the Parliament. The conditions in which either an "Operation Nenni" or an "Operation Lauro" (Lauro is the Neapolitan millionaire who leads the Monarchists) would have been absolutely necessary, have not come about. Neither Nenni nor Lauro finds himself in a position to exact conditions from the Christian Democrats.

Nenni has therefore limited himself to demanding, like the Communists, in a quite general way, that the Government should take heed of the growth of the extreme Left's share in the poll—from eight million to nine and a half million, or from 31 per cent to 35 per cent of the whole.

Signor Nenni himself has not explicitly raised the question of the Socialist Alternative and the "Operation Nenni." But Signor Saragat, finding himself with a sharply reduced poll and parliamentary representation and yet, with his remaining little band of nineteen deputies, in a position to make or unmake majorities, has plunged in to raise it, producing strong reactions in all directions. Saragat's argument, expressed in a commentary on the election results, has been as follows: "I have lost half a million out of my two million votes. They were captured by Nenni by his slogan of Socialist Alternative which was understood by the electors to betoken a Socialist detachment from Communist policy. Therefore Nenni's party is now full of anti-Communist Socialists, who feel as I do. Therefore Nenni could be detached from the Communists, and only by bringing him too into the Government coalition would the electorate's mandate be honestly fulfilled. For the switch of votes to the extreme Left shows that the Italian people is determined now to secure much more vigorous social reforms."

If Saragat Turned Sour

The response, in various quarters, to Saragat's emotion-laden utterance, reflects the great difference, felt by everybody, between an "Operation Nenni" which effectively detached Nenni from the Communists before bringing him in, and one which brought him into the Government still tied by invisible apron strings to the Communist Togliatti. Christian Democracy is vexed with Signor Saragat for making, by his initiative, the beginnings of a rift in the small centre majority which the elections—though going so badly—had provided. If Saragat turned sour, they would have no assured majority at all. Yet Christian Democracy has come out of the elections itself a good deal more tilted to the left than it went in. (Only 30 "Vespisti" or right-wingers have been returned—about half the previous number.) And the party's strongly leftist elements feel that a suspicion of social indifference will cling to the Christian Democrats unless—but not necessarily at once—an opening is offered to Nenni, if only to prove to the nation once and for all that he is too tied up with Communism to be able to accept any reasonable conditions.

Among the Communists the reaction against Signor Saragat's suggestion has been so bitter, violent and abusive as to suggest a real fear that Signor Nenni might prove a second "traitor." Yet Signor Togliatti himself said publicly, before the elections, that the pact of unity of action of the two parties need not preclude the Nenni party from joining the Government and leaving the Communists outside. And the reports of his present private conversations suggest that he is still not averse from Signor Nenni's finding a subtle formula (such as accepting the "defensive" aspect of the Atlantic Pact while repudiating "Atlanticism"), which would enable him to climb into the Government. Glancing finally, across the centre, to the Right Opposition in the new chamber, it looks as though a "moderate" wing of Signor Lauro's Monarchists might give enough support to Christian Democracy to reduce the temptation of "Operation Nenni." This in any case is most unlikely to be attempted before the winter. Meanwhile, Signor De Gasperi may go ahead with a "one colour" Cabinet of Christian Democrats only.

Travelling in Russia

ONLY the test of actual experience will reveal the precise extent to which restrictions on foreigners' movements inside Russia have been eased by this week's announcement in Moscow. Non-Communist diplomats and journalists are now, it seems, made theoretically free of the greater part of European Russia and large tracts of the greater part of Soviet Central Asia and Siberia. They may now, for instance, visit the eastern Ukraine and Byelorussia, and some of the ancient Asian cities. But the industrial areas of the Urals and Siberia, and bases such as Molotovsk in the north and Sevastopol and Kerch in the Crime remain prohibited areas. So do the Baltic States, the frontier regions where Russia borders upon non-Communist states such as Finland and Turkey, and even such regions as the western Ukraine, which does not front upon the free world but may still be somewhat unsettled.

This easing of a system which has virtually confined



diplomatic and press representatives to a tiny area round Moscow is obviously to be welcomed, especially if Russia's example is followed by its satellites. But its significance could easily be overrated. It will hardly be possible—as it is in other countries—for a diplomat who wishes to learn about the Russian way of life to take a car and simply drive out from the capital wherever fancy guides him. To begin with, he may not go more than 25 miles along the roads out of Moscow without permission. Even if he confines himself to visiting one of the places now specifically declared open, past experience suggests that he may have trouble over tickets and hotel reservations if his journey is not favourably viewed by the authorities. Between the little Moscow enclave and the formally "prohibited" areas, all, for the time being, remains grey.

Moreover, the new concessions apply only to the small band of diplomats and correspondents already inside the Soviet Union. As yet, the slow Russian process of "leaving off doing what they should never have done" has not made it easier for the average person to obtain an entry visa. Approaches made by various organisations on the subject of restoring the prewar tourist facilities in Russia have not achieved results. Yet it may be assumed that, with some exceptions, postwar reconstruction has now got to the stage where the Russians need neither be short of accommodation nor feel ashamed of their living conditions. Strategic reasons no doubt account for the exclusion even of diplomats from certain military areas and industrial centres. But no obvious reason suggests itself for the continued closing to the ordinary foreign tourist of the spas and seaside resorts to which Stalin permitted access before the war.

Prospects for Syria

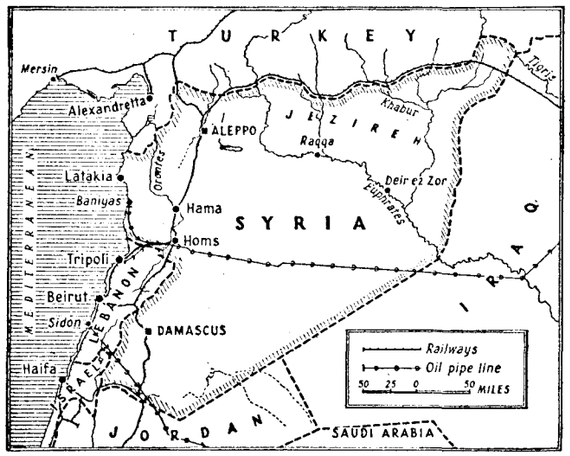
"I HAVE no authority except in my capacity of Chief of Staff," said Brigadier Shishakly of Syria to some foreign correspondents in April. If ever there was a pose, this is it. A note on page 890 explains that the fiction is likely to come to an end on July 10th, when he plans to be elected President of the Republic on American lines—that is, with full executive powers.

Briefly, the political history of his four years of leadership in Syria is that, though the former political parties remained in being, and nominally in power, until December, 1951, no cabinet could wield authority unless it had the sense to square him and his army informers of the Deuxième Bureau. Towards the end of 1951, he quarrelled first with one and then with another of these parties; finally he disbanded them all and put a puppet fellow-colonel, Fawzi Selo, into power "until the country could return to normal parliamentary life." Since then, no decision—political or economic, has been taken unless the papers have crossed his desk. Administration has suffered considerably from this bottleneck. Dissatisfaction with his methods has been sufficiently widespread to push him to conduct successive army purges—the last in December, 1952; in the same month he unmasked a civilian plot against him, and in the process arrested the boldest and most outspoken of the remaining party leaders and put three others to flight into Lebanon.

Meantime, Brigadier Shishakly, modelling himself on the Kemalist pattern, has set about founding a single national party, the Arab Liberation Movement; so far, few men of distinction have joined it, and those who belong hasten to explain how they were forced into doing so. Apart from the tiny handful of competent senior civil servants who have kept the state going through the vicissitudes of these years, he is served by curiously few men of note. Syrians are carping by habit and he is the butt of steady censure from a majority of educated men. It is difficult to put a finger on the secret of his survival.

The emotions that work for him are strongest among common people, who—without much tangible proof of it as yet—are sure that he means to build them a welfare state; he also stands well with the section of the business world that has derived benefits from his decrees that all business with foreign firms shall be conducted through Syrian (as opposed to Lebanese) agents. Among women, too, approval of his rule is fairly widespread; even if critical, they admit gratitude for the strides he has made towards their emancipation. The public also feels warmly enough towards his armament policy, and enjoys itself when the armaments he has bought and the shirt movements he has organised take three hours to roll by. The only wry faces on these occasions are those of the business men from whom, for lack of a proper system of direct taxation, money for armaments has been extorted by unorthodox forms of army pressure. Lastly, he strikes a popular attitude as the arch-irredentist over Palestine and as the Saladin who will liberate it once his hands are free of internal problems.

This day is not yet, for his home programme is enormous. Yet if he counts his blessings, he is better endowed with the means ultimately to execute it than are many of his neighbours. For one thing, he starts from the basis of a relatively well-balanced economy: given better organisation of internal transport and of irrigation on the Euphrates and Orontes rivers, Syria could annually produce considerable export surpluses of valuable raw materials—notably cotton, wheat and wool.



Any excess of imports over exports is easily offset by a series of lucrative invisible earnings, notably dues for the pipelines for oil from Iraq and Arabia, emigrant remittances, and local payments made in dollars by the United Nations organisation (UNRWA) for succouring Palestinian refugees.

A second blessing, patent to all Arab eyes, is that Syria is more truly independent of great power influence than any of its neighbours. It is bound by no defence treaties with alleged imperialists. By the establishment, upon the efficient advice of a Belgian banker, of an *office des changes*, it has severed its currency from the handicap of fluctuations in accordance with the chancy Beirut market; by making arrangements to found its own Central Bank it is about to rid itself of a link with the Paris bank rate that has not always worked out to its advantage. This freedom from complexes about great power pressure has left the Syrian entrepreneur free to get on with modernisation on a private scale, and his enterprise is reflected in concerns such as the Aleppo cement factory, and in a considerable development of the textile industry at both Aleppo and Damascus.

A crowning blessing that Syria enjoys is a healthier social climate than that which prevails in Iraq, Iran or Egypt; its rich are not so rich, nor its poor quite so poor, and the ironing out of inequalities will be a less painful and upsetting

process than that which is taking place in more feudal countries. In sum, Shishakly's Syria is its own master and enjoys almost every boon save that of capital for development of its promising agricultural resources. It eyes with envy the oil royalties that are pouring into its neighbours' laps, and would like to secure a share of the bounty either by exacting higher dues for the passage of pipelines or else by inducing its friends among oil-bearing states to relieve it of the horrid need for turning to infidel capital. Saudi Arabia has fulfilled part of a $6 million loan agreement, but does not seem to be keen to do more.

Yet it does not relish the thought of borrowing from the west. So far, it has refused Point IV aid, and has not touched a $30 million grant that has been earmarked for it by UNRWA in connection with the settlement of Palestine refugees. Its motive for holding back is reluctance to accept anything from hands that helped to found Israel. Apparently it does not include United Nations technical experts in this category, for it is using them freely ; the World Bank, by contrast, seems to carry the slur, for though its missions have been consulted and though it is ready to lend for Latakia port, for drainage and land reclamation, and for the much needed roads that would link the rich Jezireh wheat and cotton lands with Aleppo and Latakia, its services have not so far been accepted.

Snail's Pace Progress

Syria's capital works programme is therefore proceeding only at a snail's pace, and a number of valuable projects hang fire except in so far as they can be financed out of current revenue. (There are no savings to spare from the exchequer on account of fairly heavy expenditure on armaments.) On this hand-to-mouth basis a beginning has been made with the port of Latakia, and with a Dutch contract for drainage on the Orontes ; a long-planned irrigation scheme on the Khabur river has also been completed. But little or no start has been made with the vital bridges and roads that are needed to bring the rich produce of the Jezireh to world markets, or with the railways that must be built if Aleppo and Damascus are to make full use of Latakia.

Maybe the forthcoming plebiscite will provide Brigadier Shishakly with the fillip that he seems to need before he decides whether to borrow and be damned or whether to fulfil his development plans only as a poor but proud country can afford. He does not disguise that he would be ready enough to accept foreign aid if it were proffered on a scale that he could claim as a personal triumph. When studying his policy, either political or financial, it must never be forgotten that he moves from weakness more often than from strength.

Breaking Colombia's Deadlock

THE recent *coup d'etat* in Bogota was by no means just another of the seizures of power by army officers that are still sadly frequent in Latin America. It was a bold breach with tradition ; and it revived hopes of an early end to the bitter and pointless struggle that has plagued Colombia for five years.

Indeed, no Latin American country is less military-minded than Colombia. Although, paradoxically, it has been alone among the twenty republics in sending troops to Korea, Colombia retains a strong tradition of respect for civilian authority, springing from the doctrines of its particular founding father, Santander, " the man of laws." The officer class, which in neighbouring Venezuela and Peru holds high social status and dominates political life, in Colombia is accustomed to a more modest place.

Yet when General Rojas Pinilla, the head of the armed forces, seized the presidency on June 13th in a bloodless *coup*, he was cheered by a surprisingly calm capital and offered the support of both government and opposition leaders ; and on Monday he was acclaimed by a national convention which had only just been called into being by the deposed president, Sr Laureano Gomez. However, it is not difficult to explain why a civilian nation should give such a warm welcome to a military ruler. Since the notorious rioting in Bogota in 1948, the political situation in Colombia had deteriorated to such a point that the legal opposition was silenced, and the army was permanently engaged in bloody clashes with desperate rebel groups in many parts of this sprawling, inchoate country. To the bitter hatred of the opposition, Sr Gomez had added the disillusion of his own supporters ; and not a hand was raised to defend him when the moment of crisis arrived.

Revulsion Against Autocracy

The deposed president seemed, however, to have little idea of the extent of the revulsion against his authoritarian methods. Although Sr Gomez had only been president for three years, he had dominated the Conservative party for a decade, and his strongly reactionary beliefs had done much to widen the gulf between his party and the Liberals. The present crisis was touched off by his resumption of personal power after a long period of ill health during which a more moderate Conservative, Sr Urdaneta Arbelaez, had sought, as acting president, to modify some of Sr Gomez's more rigorous policies ; by his proposal to reform the constitution so as to increase the already wide powers of the presidency and to introduce some features of the corporate state ; and by his attempt to dismiss General Rojas, whom he suspected of leanings towards the moderates.

General Rojas has already received the support of Sr Urdaneta and many other members of the former government, and he is also backed by Sr Ospina Perez, the Conservative president who preceded Sr Gomez, who has lately been seeking to conciliate the opposition. Many Liberals have also declared for General Rojas, but he has not as yet taken any of them into his government. Liberals both in Bogota and in exile have, however, been encouraged by the General's announcement that he would not carry through Sr Gomez's plans for a more authoritarian constitution ; and several reports from the provinces indicate that rebel groups are beginning to accept the new government's offer of amnesty on condition that illegal arms are surrendered. It is too early to assume that the feud between the two main parties can now be brought to a conclusion satisfactory to both. But the army's intervention has at least broken the deadlock that had paralysed Colombia's political life, and in the new situation that General Rojas has created there are obvious possibilities of a settlement, if the moderate men on all sides can prevail over the irreconcilables at both extremes and the many individuals with personal vendettas.



THE TAX COLLECTORS There is little of their modern successors' ruthless urbanity in these 16th century Dutch tax collectors—from a painting by Marinus van Reymerswaele known as "The Excisemen". Ruthlessness, yes; for the gathering in of hard cash was apt to be a dangerous proceeding. Urbanity was to come with anonymity.

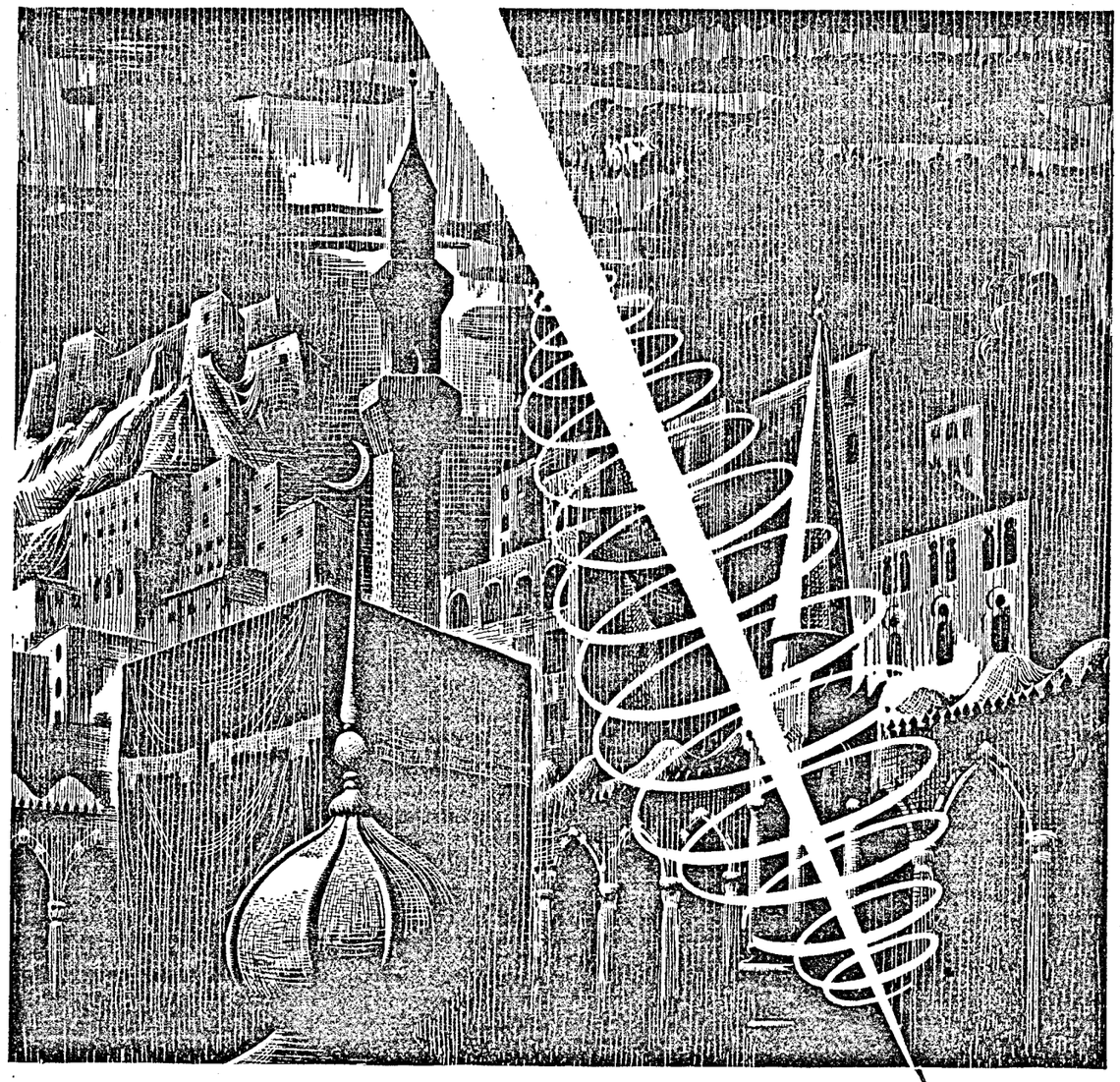
A hatful of coins on authority's table reminds us nowadays more of a bank counter and of those little brown paper bags in which coins are packed. And paper bags—be they carrier bags, vegetable bags, or specially constructed bags for hygienic food handling—are as much part of modern life as the aloof manner of modern taxation. Many millions of paper bags are sold every year by Bowaters and this is just one of the ways in which their Packaging Division makes paper serve modern life. Paper for commerce, art or industry is the business of The Bowater Paper Corporation.

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THE BUSINESS WORLD

What Future for Films? —I.

Vision at the Box-Office

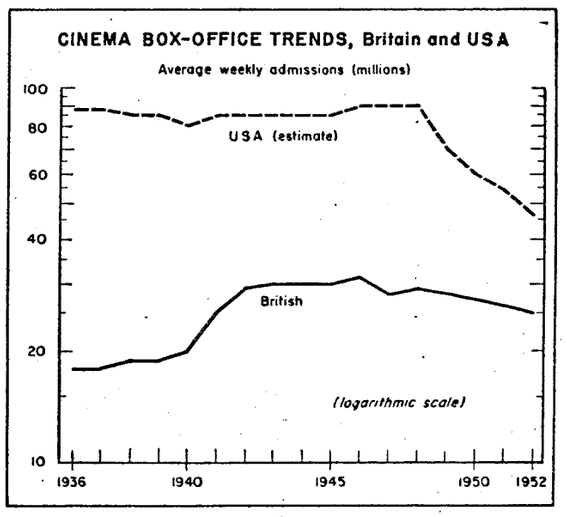
THE cinema business needed no polarised spectacles on Coronation Day to visualise the huge potential audience that television can grasp in Britain once it shows something that people really want to see. That prospect, coupled with the box-office statistics for 1952 published a few days before, may indeed have been enough to drive the industry considerably faster towards third-dementia. Whether it has done that or not, it has perhaps reminded all sections of the British film industry rather sharply that the real problem confronting them, which quite overshadows their seasonal sparring around one another and the Government, is the size of the audience they can attract into British cinemas, now and in the future. This problem, incidentally, also concerns the Government—if only because Entertainments Duty seems near the point of diminishing returns.

A glance across the Atlantic offers no cheer: on the contrary, a horrid example. Records of cinema attendance in the United States are vaguer than the official statistics compiled here; but estimates show graphically how the cinema trade there has sagged under the body-blows of an aggressively expanding television industry. From an estimated 90 million admissions a week in 1948, attendance slumped by 22 per cent in 1949 and kept on downward; the latest estimate suggests that in four years it has been cut in half. American exhibitors, engaged in the international activity of asking for a remission of entertainments tax, said recently that the number of cinemas there has dwindled by a fifth since 1946; over 5,000, or more cinemas than exist in Britain, have been closed.

As yet, of course, it is far too early to assume that British cinemas need fear as large—or at any rate as steep—a decline. In some urban areas of the United States, nearly as many homes have television as have radio, thus approaching a degree of saturation in viewership. In the USA as a whole, however, only about 20 million homes have television, against about 45 million with radio (about three sets, incidentally, per home). In Britain, television licences number only about a fifth as many as radio licences. The high initial and replacement costs of a television receiver, and the lower level of consumer incomes in this country will delay any comparable approach to saturation, and thus delay its impact upon the cinema. Moreover, the BBC now puts out only five programme hours a day, against 12 hours (often with a choice of several stations) in America; nor does the average British television owner yet spend "fully one-third of his non-sleeping hours" in front of the set. But coverage here is sure to expand—the BBC guessed this week that 7 million sets might be in use in ten years time—and so, if sponsorship comes, will the variety and duration of television programmes and their light entertainment value. Cinema box-office statistics for Britain as yet give no hint of any such precipitate decline as in the United States. But they are not inconsistent with the possibility that a similar consequent decline, differing mainly in the steepness with which television takes its toll, may have begun.

Here, in the last four years, cinema admissions have declined by about 4 per cent per year, and this from an apparent level of stability after the wartime boom. These have been the first years in which television has become available over a widening area of the country; and it is probably significant that particularly large declines in cinema admissions have been recorded in London and the South-East, in the Midlands, the

North-West and Yorkshire, and last year in Scotland. This loss of patronage has not affected only the smaller cinemas that tend to show the older films; those seating over 1,250 people, along with the tiniest halls seating 250 or fewer, have suffered proportionately more. Sampling of the cinema's potential audiences, made yearly in the Hulton Readership Survey, throws up the pattern of the decline. In 1947, some 44 per cent of men and women over 16 were regular cinema-goers, attending "once a week or more"; in 1952, only 35 per cent were, though the proportion who went twice a week or more often, the trade's best customers, had been stable since 1950 at about 14-15 per cent



(against 19 per cent in 1947). Last year 22 per cent of adults, as against 13 per cent in 1947, said they never went to the cinema at all. The hard core of patronage, though shrunken, may thus still be faithful; but the occasional patrons have become increasingly fickle.

Television, almost certainly, is not the only reason for this. Alternative explanations, indeed, are profuse in Wardour Street. Other things upon which people can spend their spare money have gradually returned after postwar shortages . . . in the last year or two, people have had less to spend . . . the British public is getting older, while the cinema tends to draw its core of regular patrons mainly from the 16-34 age group . . . films are not as good since Hollywood as well as British producers have been watching pennies . . . with postwar stars and growing public sophistication, the star system is becoming a less effective assurance of box-office stability . . . and so on. Most important of all, the argument runs, patrons are now being priced out of the cinema: the average price paid for admission, which varied between 1s. 5d. and 1s. 6d. from 1945 to 1949, has risen since to about 1s. 8d., and this last twopence-ha'penny has turned people away from the cinema.

Most of these explanations—and particularly the last—probably contain some truth. No clear assessment of the importance of price could be made without details of the numbers of seats sold in every range of price; and these are not published. Patrons can usually take a cheaper seat, though not necessarily at the peak evening performances of the week when cinemas do most of their business. Even so, the rise in the average price paid, which has been sufficient financially to offset the loss of patrons, suggests that some have thus been deterred. But in recent years, it is perhaps fair to say, exhibitors as well as producers may have felt better able to improve their income by putting pressure on the government than by offering patrons more for their money. There is not much evidence that in the last few years many exhibitors have been increasing the number of seats at lower prices in their cinemas to avoid losing patronage. The patterns of price at which a cinema could break even, of course, may not allow much room for manœuvre; and cinemas that vary their prices often may become unpopular. The argument about people being priced out of the cinema should not be over-played, though substantial cuts in seat prices would probably bring back some of the lost patrons.

Moreover, cinema admissions today are still about 56 per cent higher than in 1939, when exhibitors at least seemed to make a comfortable living. The seating capacity of cinemas has probably not altered much; at the end of last year 4,575 cinemas were operating with about 4,209,000 seats, compared with about 4,800 cinemas in 1939 with probably rather more seats than today. Before the war, in fact, cinemas were worth operating when every seat was taken only about once in perhaps five performances; today, the exhibitors manage to fill each seat during one performance in three, and complain that they cannot cover costs from admissions alone. But in 1939 entertainments duty took only 11 per cent of gross takings; last year, out of takings two and a-half times as large, duty took 34.7 per cent and a further 2½ per cent went into a special fund for poor British film producers. Net takings—the amount accruing through normal commercial channels to the trade—had thus grown by only 90 per cent during 13 years in which the amount paid by the public grew by 150 per cent; the average price paid at the box-office for each seat had risen from 10d. to 1s. 8d., but the net price had risen only from 9d. to 1s. 1d. It is perhaps understandable, therefore, that the box-office problem should present itself to the various sections of industry primarily as a problem of their share in the cake of box-office takings. Nevertheless, in the long run, the size of the cake is what really matters, and that depends primarily upon the number of people who go to the cinema.

If television is mainly responsible, and sponsored television arrives, even cuts in seat prices may not make much difference to the slide in cinema admissions. To the cinema patron who has once made the initial outlay on a television set, sponsored programmes would offer a large volume of broadly comparable visual entertainment, seemingly free. So far, the British film industry has seemed too pre-occupied with politics to face this threat squarely. It brandishes certain arguments about

large-screen television; a few cinemas are equipped for this, and some groups have applied for television licences that would enable them to broadcast at least some news programmes. But these arguments often sound largely rhetorical; the industry has generally used them in arguing with the BBC about the television of films or the sharing of news events between television and newsreels, and it seemed to be taken off guard some weeks ago when the Television Advisory Committee asked it just what its intentions were regarding transmission by television. Rightly or wrongly, most people in the business think of this as no more than a counter to use in bargaining with state-owned or commercial television. Film distribution through today's celluloid channels is not cheap, but any notion of distribution of films in general over television channels—at least to cinemas—still appears impracticable or so costly as to be out of the question.

How well is the film business placed to defend itself? It needs ideas, more than money. It has borrowed one—the three-dimensional film, a showman's "gimmick" that Hollywood has exalted into a talisman. But "Three-D"—and probably any other idea shaped so as to impress the film business—will mean spending a good deal of money in the hope of earning more, or perhaps, in the long run, of just losing less. And the financial resources of the British film business, as of the American's, are today somewhat strained. Some indications of the capital and running charges that this technical transition now impending in the cinema may imply will be given in a second article. But the questions remain whether in the present state of profitability of the film business this extra money can be found, whether it is worth ploughing in, and whether what it buys will serve as an effective defence against television.

Organising the Railways

A CERTAIN diffidence is evident in the report of the British Transport Commission when it turns from the five years of its past history to contemplate the future. It is clear enough from the report that the Commission in 1952 was in sympathy neither with the manner nor with much of the matter of the Government's proposals for inland transport. The Commission remains rootedly opposed to the breaking up of its road haulage undertaking, and it declares that the gains in efficiency that were becoming apparent after four years spent in acquiring 3,774 undertakings and 42,000 vehicles were gravely disturbed by the Government's proposals, now enacted, to dispose of the road haulage undertaking "as quickly as is reasonably practicable." The conceptions of integrated public transport on which the 1947 Transport Act was based have been discarded before they had been tested beyond doubt, but after they had ceased to hold out conspicuous hopes of success. What lies ahead is full of uncertainty. Neither history nor public opinion (so far as it is informed on transport matters) suggest that radical competition between publicly owned railways and privately owned road haulage would endure for very long. What the Government have provided in the new Act is a framework in which the railways may be more competitive than they were before nationalisation or have been since, leaving road haulage as free as ever to fix its rates and as protected as before against new road competition.

Whatever may be said about the disposal of road haulage, there is a wide measure of agreement that greater commercial freedom for the railways is desirable, and that a considerable reorganisation of the railways is necessary. The new Transport Act imposes on the Transport Commission the duty of preparing a scheme of reorganisation of the railways within a year from May 6th, or longer, if the Minister of Transport agrees. The intention is to decentralise the management, but the terms of reference within which the Commission has to work are distinctly vague. It must get rid of the Railway Executive if that has not already been done; but it leaves the choice of areas, the kind of management authorities that will be responsible for them, and the division of powers between them and the Commission (save that the latter will be responsible for general financial control and general control of charges) all to be worked out. After the scheme has been drafted, the Minister will consider it, consult such railway users as he thinks fit, approve the scheme or amend it or throw it back to the Commission for revision. When all this has been done, the scheme will require an affirmative resolution of both Houses of Parliament before it becomes effective.

Whether the Commission is in sympathy with all the objects of such a scheme is difficult to guess; it is known that in 1951 the Commission recommended the disbanding of the Railway Executive, but this proposal seems to have been intended to get rid of the clash of two organs of central control—both appointed by the Minister, but one formally the servant of the other—rather than to promote decentralisation. It is, indeed, never easy for the controlling centre of a vast business to relinquish power to its subordinates. In a commercial concern, the plain evidence of loss or inadequate profit may lead to the loosening of ties that are strangling efficiency; but in the case of a nationalised industry, which is told to take "one year with another" and which is accountable to a Minister, the impediments to effective devolution of power are bound to be large. But there are other complications. Four of the five full-time members of the Commission, including the

chairman and deputy chairman, terminate their appointments at the end of August. The majority of the members of the Railway Executive hold appointments that were extended for a year from October, 1952, and thus come to an end in September. Some members of both bodies are likely to retire ; others await re-appointment, if the Minister should so decide. But it is by no means certain who the Minister may be by the time that decisions have to be taken ; there might be a government re-shuffle in which Mr Lennox Boyd would gain the reward for his skill in steering the Transport Bill by a translation to higher responsibilities.

Thus the Commission and the Minister are charged with important decisions about the future organisation of the railways at a time when for each the future is uncertain. So far as government policy on the railways has emerged—and little enough has been disclosed—it has been the thinking aloud of Mr Lennox Boyd ; and there is no evidence that he has been anxious to point the way that the Commission should take in drafting the scheme. He may know what he wants, but again he may not be responsible, when the time comes, for examining the new Commission's scheme. That is the justification for considering, once again in these columns, some of the basic principles that ought to find their place in the scheme.

★

Since the railways were nationalised in 1947, two divergent concepts have confused the question of how best to organise them. The first was an excessive degree of centralised technical control exercised through the functional system of direction in the Railway Executive—a system that despite a real degree of modification still survives in large measure. The second was the assertion of central control by the Commission over its Executives—the concentration of power at the top of a pyramid rather than the guiding force of a central sun over its satellites. What could be said in favour of a concentration of power in the hands of the Commission when it was charged with the task of providing an integrated system of public transport will obviously need much modification when its duties are reduced largely to providing railway services for Great Britain and to running London transport. The scheme for which it has to provide is on the scale of the Railway Executive, not on the scale of the Commission as it has been known.

There emerges from these considerations the need for a middle course, steering a line of administrative common sense between the extremes that have been pursued by both the Commission and the Railway Executive in the past. Moreover, it is important that another mistake made in 1947 should not be repeated—namely, the setting up of a form of organisation that was impossible to adapt to changing circumstances and the lessons of experience without a new Act of Parliament. It is essential that an experiment in decentralisation, if it is to have any hope of success, must be capable of evolution and adaptation. The first need in an effective scheme of decentralisation is a paradoxical one—it is to allow once more for general management to take effective control in railway policy. General management has been exerted only by the chairman of the Railway Executive himself, sitting *primus inter pares* with the several functional officers who were entitled—or at least inclined—to claim that their decisions on their own special subjects should be treated as final by their colleagues. The converse of this tight system of centralised technical control should, on the face of it, be a return to the general management of the separate railway systems coupled with the effective general management of them all, under a new Commission. Thus the first task in any satisfactory scheme for decentralisation is to devise workable units of general management ; in some respects these would have to be different from the existing geographical "regions," some of which are too big for efficient management. Over each of them would need to be placed a general manager with effective power, not a mere Chief Regional Officer with undermined authority.

It does not follow that these new "systems" need behave in all respects like the old railway companies did. Valuable economies have been obtained from standardisation imposed from the top by the functional Executive ; there may be costs on the other side in the longer run through lack of competitive technical advance, but the better working of locomotives and wagons and economies in maintenance through the standardisation of various technical factors cannot be gainsaid. It is difficult to conceive of fully autonomous railway systems akin to the former railway companies when such an evident degree of economy can be obtained from common technical standards ; the opportunities for such standardisation have not yet been exhausted.

But they can be secured by a common management of all railway systems ; they do not require the exercise of functional direction from the very top of the railways' organisation. Nor is it necessary to make the new railway units financially autonomous, with their comparative efficiencies judged by the appearance of their revenue accounts. There would be many arbitrary and even spurious factors in such a comparison ; the real tests of comparative efficiency would have to be sought in other directions—notably, operating performance and commercial enterprise. The true conception of the task of general management is to run railway systems as businesses, competing vigorously in every area for passengers and freight, and concentrating on the task of finding customers and satisfying their needs. Obviously, the changes in the organisation of the railways which have been under discussion for the past two years have had a severe reaction on their commercial activity. No time must be lost in reversing this dangerous trend.

The middle view would see another danger—that of a radical and excessive degree of decentralisation. It is one thing to argue that power should be pushed out from the centre and made more effective throughout the railway systems. But in the reaction against excessive concentration of power, it is sometimes suggested that commercial and operating functions can be devolved over different areas and in units of different size to be determined by empirical considerations of the volume of railway transport required in different localities. But if the boundaries and forms of organisation of the different departments differ widely themselves, it will follow that only a strong central authority will be capable of co-ordinating them. To constitute small, technical authorities—for engineering or operating or commercial purposes—in areas that bear no resemblance to railway systems of reasonably manageable size is bound to lead to a continuation, and perhaps an intensification, of centralised control under a new guise. It is important to get the new systems right in size for the efficient exercise of general management ; when that is done, the distribution of technical functions within each system and their co-ordination between the different systems can be controlled by recognisable chains of authority from the headquarters to the several systems and—more important for the efficient day-to-day working of the railways—within each system itself. Decentralisation should mean the handing down of effective managerial power to manageable units ; it should not mean the fragmentation of the different phases of railway operation into *ad hoc* local units which could only be brought together under yet another form of strongly centralised control.

Business Notes

Shakeout in Gilt-edged

THE shakeout that began in the gilt-edged market just under a fortnight ago became more sharply pronounced towards the end of last week, and since then prices have sagged further. Except on Friday, when the declines ranged up to ⅛, the losses on any one day have been small, with the result that the extent of the adjustment over the whole period has not, perhaps, been generally recognised. Between June 10th, when most stocks reached their best levels, and Wednesday last 3½ per Cent War Loan has lost 1⅜ and 2½ per cent Consols 1⅝, while losses in the dated stocks have ranged from ½ for the 1956-61 stock to 1⅜ for Savings Bonds, 1965-75, and roughly a full point for the long Transport and Gas stocks. This not inconsiderable movement has added fully ⅛ per cent to the redemption yields of long-dated stocks—Transport, 1978-88, now yields 4⅛ per cent, and Gas, 1990-95, 4 per cent to the latest date—and slightly more than that to the flat yield from 2½ per cent Consols (which offers just over 4⅛ per cent, at 60⅞).

Obviously, the authorities prove to have seized the last possible moment for the advantageous launching of their £100 million issue of Exchequer Stock, 1960. And, despite the softening of the market at and immediately after its announcement, the issue is generally believed to have secured a somewhat better support from the public—necessarily, almost wholly the institutional public—than did the first tranche offered last March. This belief was reinforced by the terms of the allotment : applicants for £5 million or less secured a full allotment, and larger applicants received 75 per cent, whereas last March the full allotment was confined to £1 million or less, but the proportion for bigger applicants was 80 per cent. The "departments" have obviously taken a large slice ; but that was, equally obviously, what they expected and intended to do. In these circumstances the new stock has held its own in the market—at a token premium of ⅛ or ⅛. Lesser borrowers have, perforce, been less fortunate. The two small issues for South Africa—Cape Town and Durban—have both had to be carried to a substantial extent by the underwriters, and both are quoted at perceptible discounts.

This new mood in the gilt-edged market reflects caution in the face of uncertainty rather than any general conviction that the best has been seen. The dominant influences have quite plainly been the antics of President Syngman Rhee and the troubles in East Berlin ; these disturbances, and the resultant uncertainties, have cut off (though perhaps only temporarily) the principal source of the market's recent strength. This was the belief that a cooling of the war would reinforce the disinflationary tendencies still visible in many world markets and apprehended in the United States.

More Credit for Industry

BANK finance for private trade and industry rose faster in March, April and May than in any quarterly period since the introduction of the new monetary policy in November, 1951. That is the most striking aspect of the latest quarterly classification of bank advances in Great Britain, which confirms the impression of mounting industrial borrowing already held by analysts of the monthly clearing bank returns. Total bank advances in the three months to May actually fell by £3.7 million, but—as the latter half of the period saw substantial repayments of bank overdrafts by the British Electricity Authority from the proceeds of its April loan—this small drop in the

aggregate was more than accounted for by a fall in advances to public utilities by £41.3 million. And as the net borrowings of the "personal and professional" category continued to fall (though by only £2 million, their smallest quarterly decline since the closer scrutiny began in November, 1951), advances to "the rest"—which, very broadly, consists of the private business sector—rose by £39.5 million to a total of £1,397 million. This is still fully £91 million below the level of a year ago, but it is £56 million up on last November's figure.

Especially when viewed in contrast with experience at this time last year—when the decline in loans to public utilities and personal borrowers was accompanied by some contraction of bank finance to private trade and industry—these figures leave no doubt about the marked change that has occurred in the trend of bank advances. In the equivalent returns for May, 1952, eleven of the twenty-five items into which advances are classified showed increases, while fourteen showed decreases; this year there were sixteen increases and only nine decreases—and only one category, engineering, records any substantial decline. As this particular fall followed a steady expansion of bank finance to the engineering industry in previous quarters, the group's total is still above last year's. The wool group's advances have increased by almost a quarter since February, and they have now passed last year's figure; the shipbuilding and non-ferrous metals industries both increased their bank loans by almost 20 per cent during the quarter—the former's advances now stand at £16.6 million, more than 60 per cent above last year's figure. The iron and steel group's advances rose again, but by less than in previous quarters. Loans to the cotton industry rose for the first time for over a year, but at £15.5 million they are still well below last year's figure. The food, drink and tobacco and the retail trade group's advances rose substantially in the quarter, in both cases reversing the previous quarter's experience, but both still stand below their level of May, 1952. The demand for bank credit has clearly now spread well beyond the so-called priority categories that were formerly the principal new borrowers; but this may be due as much to the need to replenish stocks (in some instances at higher prices) as to an easing in the standards of bank lending.

EPU Extended

FORMAL provisions for the extension of the European Payments Union for one year from the end of this month have recently been approved by the Council of the Organisation for European Economic Co-operation. The extension agreement, contrary to some earlier expectations, makes few changes in the arrangements that have operated in the past year. In particular, there is no alteration in the scales that determine the rate at which gold and dollar payments are made by debtors. The considerable debate that has taken place on the question of "hardening" EPU by increasing the ratio of gold payments to drafts on credit in the settlement of deficits has been lost by the hard currency school, led by Belgium. This school has, however, gained a more limited victory in the agreement to increase interest rates applying to both creditors and debtors. The interest rate paid to creditors is to go up from 2¼ to 2¾ per cent. The rates charged to debtors will remain at 2½ per cent for positions outstanding up to twelve months, but for longer-term overdrafts the charge will rise from 2¾ to 3 per cent for periods of twelve to twenty-four months and from 3 to 3¼ per cent for periods over 24 months. The Council has also decided that the interest rate on loans granted by creditors in excess of their quota should continue to be ¼ per cent higher than that for loans granted within the quotas, and will therefore be increased from 2½ to 3 per cent. These increases in interest rates are explained and justified as a reflection of the rise in current market rates and as making some allowance for their future trend; but they are only a pale shadow of the movement that has occurred in open market rates.

The other important change in the renewal arrangements has been to adopt rules that will apply to those extreme creditor countries whose quotas have been exceeded. Extensions of quotas have been agreed upon for Belgium, Germany, the Netherlands, Portugal and Switzerland. Within the limits of the extensions decided upon for each of these countries, surpluses in excess of their normal quotas will be settled as to one half in gold and the other half in credit granted by that country to the Union. The Council has also decided that Austria's debtor quota will cease to be frozen as from July 1 next. Austria will be able from that date to use its credit facilities in EPU, but will at the same time assume the obligation to make corresponding payments in gold. Hitherto, Austria has been one of the EPU "wards" whose deficits have been met by the US Government.

Franco-German Contrasts

WHILE Austria has ceased to be an EPU "ward," France has in each of the last two months qualified for that doubtful privilege. The detailed statement of EPU operations for May reveals that in that month France incurred a further deficit of $37,400,000. The whole of this deficit was met by the US Government out of special resources and has not gone to swell France's cumulative accounting deficit with EPU. For this purpose the French Government used amounts due from the United States in respect of MSA grants, just as in the previous month the deficit was discharged by an anticipation of military aid from the United States to France in respect of operations in Indo-China. France is indeed living from hand to mouth.

While France dominated the debtor side of the EPU account last month, Germany was equally dominant on the creditor side. With a surplus of $39,900,000, of which half was paid in gold and half in credit, Germany has now achieved a cumulative net position that is $13,300,000 in excess of its quota of $500 million. This German credit with EPU is only one facet of the creditor position that Germany had acquired vis-à-vis the greater part of the world. The D-mark gap is, in fact, now second only to the dollar gap. Its growth is beginning to cause serious concern to the German authorities, who are fearful of the domestic inflationary effect of the substantial surpluses on the balance of payments. Further steps have therefore been taken by Germany to liberalise imports, a move that may help to



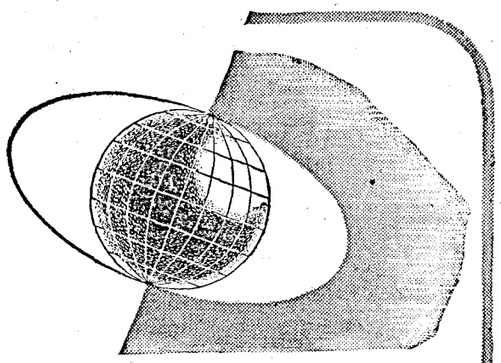
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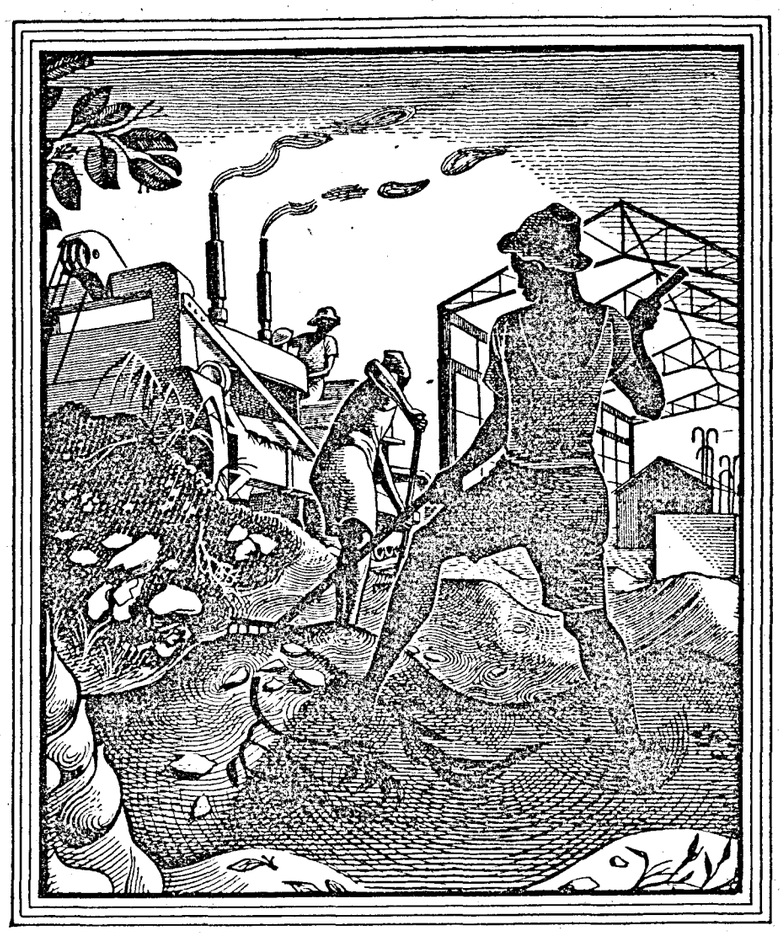
One day and an evening every week he works for the next examination in bricklaying, and after that he intends to tackle costing and measurement.

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limit the German surpluses in the near future. The effect of the resumption of external debt repayments should also make itself felt, but it should be noted that the first full year's repayment, amounting to DM. 470 million is equivalent to no more than about three months of Germany's surplus with EPU alone, at its current rate.

No Change of Speed

THE Minister of Transport's statement in the House of Commons on Monday about the future of the heavy vehicle limit is a sharp disappointment to most of those who felt that the arguments in favour of raising it had been proved beyond all possible doubt. There is no longer any technical reason why the speed of heavy vehicles should be artificially held down to a level as low as 20 miles an hour, and few lorries on the roads ever appear to be travelling as slowly as this. Yet the schedules on which the lorries operate have to be drawn up on the assumption that the vehicle is driven within the legal limit, which probably means an average speed of 16 miles an hour. The lighter vehicles, from 3 tons unladen weight downwards, are not so severely restricted; in their case the speed limit is 30 mph and their average speed is probably about 22 mph. This suggests that if the limit for heavy lorries was also raised to the more realistic figure of 30 mph, they could be expected to cover, on the basis of an 8-hour day, nearly 50 miles a day more than they are at present permitted to do. For long-distance drivers, who may drive up to eleven hours in twenty-four, the extra 70 miles could mean the difference between a round trip and an enforced over-night stop.

The waste involved in under-employing men and equipment in this way has been widely recognised, and there were grounds for expecting that the government might at last have been prepared to make a move in the matter. The way in which the Minister phrased his refusal on Monday suggested that the government has accepted in principle the need for a change but will make no move until "there is agreement in the industry as to the changes in existing arrangements which might follow." The attitude of the unions appears to be the deciding factor in reaching an agreement. The drivers are aware that a tightening up of schedules would lead to a reduction in road haulage costs, and many of them clearly feel that this entitles them to some increase in wages. About half the heavy lorries on the roads today are "C" licence vehicles whose owners are probably quite prepared, individually, to meet their drivers' claims. The position is less clear in the case of those lorries that form part of a road haulage business. A big company transporting goods by road for its own convenience is likely to have a different attitude to small savings in transport costs from a company that makes a living out of road haulage alone. So long as it is uncertain about the attitude of the lorry owners on this point, the union is unlikely to commit itself to accepting an increase in the speed limit. That the government should feel compelled to allow the need for agreement in all sections of the industry to govern its own regulation of road traffic, however, is less easy to accept.

Opening the Matchbox

IT is easier to accept the view of the Monopoly Commission that the present organisation of the match industry in Britain "operates, and is likely to operate, against the public interest" than to decide how to safeguard the public interest in getting good and cheap matches. The President of the Board of Trade, who last week told the Commons that he accepted the conclusion of the Monopoly Commission, though doubting the efficacy of the price control system suggested in its majority recommendation, was forthright but not forthcoming about his own remedy:

> I propose to explore without delay the possibility of removing some of the obstacles to competition in the match industry. Some of the steps I am contemplating call for consultation with the British Match Corporation and I am already in touch with them.

Mr Thorneycroft is not to be envied this task of exploration.

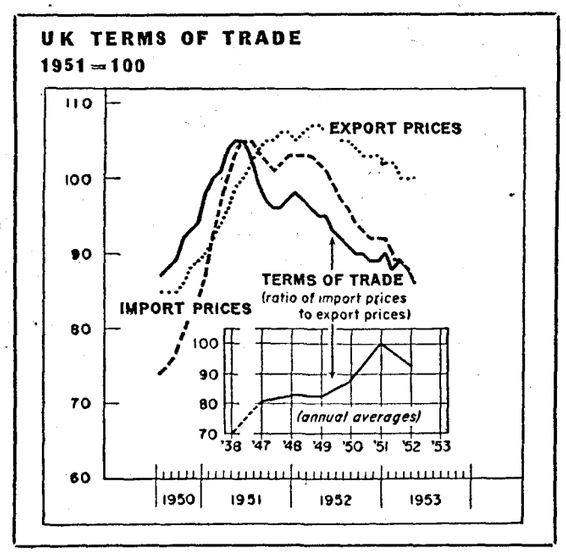
A majority of the Commission decided that any radical modification of the elaborate "trading agreements" by which companies associated with the British Match Company share British and overseas markets with the Swedish Match Combine might have such repercussions that on balance it would not be justified. Two of its members disagreed. Whatever the virtues of the monopoly purchasing agency—or simply importing agency—that these members proposed, their feeling that the risk of ending the quota arrangements ought to be taken may seem more in accord with the feeling in all parties that led to the setting up of the Monopoly Commission. But the match report did not perhaps completely explain the BMC group's position here. The group argued to the Commission that if forced to compete with Swedish Match, it would be unlikely to "stand in any stronger position today than it did in 1927." Inside Britain, this attitude may sound too timorous. The group is now well-established, and though it depends for machinery largely on manufacturers controlled by Swedish Match, it could no doubt, if separated from these, obtain equipment from the independent machinery manufacturers of whom it supplied a list to the Commission. The group's wish for the protection afforded by the quota agreements in Britain, therefore, may under-estimate its own strength. But abroad, clearly, it is more vulnerable.

Direct exports of matches by the BMC group, in 1949, amounted to only £225,000 out of a total turnover of nearly £5 million. But the average of £330,000 in dividends declared on holdings in overseas subsidiary and associated companies during the years 1945-49 is much more significant beside the BMC subsidiaries' profits, which in 1949, according to the Commission, would have amounted to about £900,000 from home and direct export sales or BMC's own published income as a holding company, which was £602,257 in the year ended March 31, 1949. Abolition of the quota arrangements held to operate against the public interest in Britain might well expose the group to severe competition in its trading in the world market, which contributes perhaps more than a third of its total profits; and BMC would be much less strongly entrenched to combat Swedish Match overseas than at home. It is easy to see, therefore, that the prospect of competition with its Swedish partner (and part-owner) may well alarm the group. Mr Thorneycroft, however, considers it "most desirable that there should be a measure of competition in the industry." How much is a measure?

More Imports at Lower Prices

DETAILED trade figures published by the Board of Trade show that a major factor in the slight increase in imports of £3 million in May, compared with April, was an increase of £7 million in imports of food and drink. These rose to £116 million, the increase being mainly spent on grains, flour, meat and fresh vegetables; but this rise in the food import bill was offset by a fall in imports of tobacco from the exceptional figure of £11 million for April to the more normal amount of £5 million in May. The two other main categories of imports, raw materials and mainly unmanufactured goods (at £115 million) and manufactured goods (at £58 million) were practically unchanged on the month. Total imports for the month amounted to £296 million.

Total exports in May, valued at £219 million, were nearly £5 million less than in April. Among goods of United Kingdom origin, there was an increase in exports of food, drink and tobacco by about £300,000 to £11.7 million and of raw materials by £600,000 to £10.9 million. But exports of manufactured goods fell by £3.4 million to £182.8 million, with vehicles at £40.1 million (down by £770,000). The number of cars shipped abroad, it should be noted, continues to rise; nearly 31,000 were sent out in May—according to the motor industry—compared with 26,000 in April, but this may prove to be the industry's seasonal peak. Machinery exports at £34 million, were



down by £2.3 million, while cotton goods exports at £10.9 million and woollen and worsted at £11 million were each lower by over £300,000. The reduction of £1.7 million in re-exports during May, to £7.2 million, was due mainly to a falling off in the re-export of raw and waste wool and rubber. The decline in total exports in May was nearly all in exports to the non-sterling area. The increase in imports was also nearly all from non-sterling area countries; total imports from the sterling area decreased.

The increase in imports by volume in May was again proportionately greater than is shown by the increase in value, because prices continue to fall. The Board of Trade price index number for imported food in May (1952 = 100) was 98, the same as in April, but the index for raw materials was down two points at 82 and the index for manufactured goods down four points at 85; the index for all imports was 88 in May, a fall of two points on the month. Export price indices are unchanged for textiles and other manufactures (91 and 93 respectively), and down by only one point for engineering products at 100, resulting in an unchanged index of 97 for all exports. The fall in import prices and the steadiness of export prices during May produced a further welcome improvement in the terms of trade; the index fell by two points to 91, continuing a gradual trend that has now lasted nearly two years.

Bulk Buying in the Cotton Slump

ANY monopoly buying agency that is directed to secure full supplies of a commodity at all times is inherently vulnerable to fluctuations in trade, and the Raw Cotton Commission provides a sorry but instructive example of this in its fifth annual report. During the 13 months ended August 31, 1952, the Commission incurred a loss of £22 million on its trading, in contrast with the trading profit of £2.6 million that it made in the previous year. During those 13 months the Governments of Pakistan, Brazil, and Egypt had to come to the rescue of their raw cotton industries, while the weekly consumption of raw cotton and the spindle activity in Lancashire dropped at one time to half the 1951 level. Moreover, during the period of disorders in Egypt the Commission decided that "it was more important to forestall any danger of a serious shortage of long staple cotton for Lancashire's fine spinning mills than to avoid the financial risk of carrying heavy stocks." Accordingly, it bought about 60 per cent of the 1952 Sudan crop. The shortage feared did not develop; heavy stocks of long staple cotton were accumulated, and had to be sold at prices substantially cheaper than those at which they had been bought.

The fall in price levels during the year was in some cases very severe. Egyptian top grade Karnak and Sudan high grade both fell from a high of about 123d. a lb to 70.8d., and even the steadier American middling 1" fell from around 48d. to 39d. In view of the losses that the Commission incurred upon its "political" purchases of Sudan cotton and upon its stocks of Egyptian cotton, it is perhaps not surprising that in the subsequent period spinners opted to buy privately 64 per cent of their American cotton but only 15 per cent of their Egyptian cotton.

The Commission's trading losses, together with the necessity to provide for losses on its large open position, brought about the operating deficit of £22 million. To this it had to add a loss of £1.9 million under the price cover scheme for spinners; after paying £2.2 million in interest on advances from the Ministry of Materials, its deficit was increased to £27.8 million. After sundry adjustments, including the setting off of £3 million no longer required to meet tax, the Commission had to transfer £25 million from the reserves accumulated in earlier years. The Act creating the commission laid down that it should trade on the basis of setting bad years against good; in the good years the Commission had built up a reserve of £35 million. The

1951-52 loss, however, brought this down to £9.8 million; in view of the further fall in cotton prices since last August the remaining surplus and reserves of £11.3 million will presumably have been run down much further.

Aluminium Returns to Private Trade

AFTER 13 years the responsibility for importing aluminium into this country is to be transferred back from public to private trading on July 1st—a month before copper too reverts to private trade. The supply of aluminium to Britain has been largely determined by the arrangement made between the British Government and the Aluminium Company of Canada, which in recent years has been supplying about 80 per cent of Britain's aluminium imports. Under agreements made in 1950 and 1951 between the company and the Government, substantial supplies were secured for this country by firm contracts until the end of 1955 and by yearly options to the Government thereafter. Sir Arthur Salter, Minister of Materials, has stated in the House of Commons that "the substantial benefit to this country of these arrangements will be retained under private trading." In 1952 Britain's imports of aluminium amounted to 4.7 million cwt valued at £36.4 million, of which 4.6 million cwt valued at £35.8 million came from Canada; the other main sources of supply were Norway and France. Imports for the first five months of this year amounted to 1,096,000 cwt of which Canada supplied 1,070,000 cwt valued at £8.6 million.

In obtaining release from its contract with the Canadian company, the Government has made arrangements which it apparently considers satisfactory. After July 1st, private traders will, subject to import licence, make their own arrangements for importing aluminium, but the Government, until its contracts expire at the end of 1955, will take up from the Aluminium Company of Canada as much of the contract quantities as is not bought by private importers. For five years after 1955 the Government will buy from the company up to 20,000 tons a year of unsold metal within the option; moreover, to assist the company to finance and supply this country with aluminium, during the period covered by the original contracts, the Ministry of Materials is transferring to Alcan trading stocks of the metal valued at about £5 million, for which, subject to payment of interest, the company need not pay until the end of 1955. On the other hand, the Government has secured from the Canadian company a reduction in the contract price of ¾ cents a lb, about £6 a ton, as from July 1st, so that the Ministry could reduce its present selling price in this country of £161 to £155, and has secured from the company an undertaking not to charge British importers more than the Ministry would have charged, which means that the price can be increased only if costs rise.

Premium Petrol and Fuel Tax

ONE not generally expected consequence of the higher level of taxation on motor spirit in this country has been to make the new premium grades of fuel a considerably better proposition for the motorist than if the tax were lower. Whatever the increased mileage per gallon a motorist can obtain from the new fuels, it obviously looks better value for 3d. extra on petrol costing already 4s. 2d. a gallon than it would if the tax—and hence the total price—were less. Indeed, according to Mr A. L. King, of Shell-Mex and B.P., speaking to the Institute of Petroleum this week

> had the tax been 9d. per gallon or even 1s. 6d. per gallon, the cost-per-mile factor could not, in most cases, have been shown actually to be in favour of the premier grades, and the primary reasons for the purchase of the better products would have been superior performance, smoother acceleration, easier starting and such features.

With fuel tax at 2s. 6d. a gallon, the question of mileage has been the key factor for the car driver—and even more so for the commercial consumer, who watches the economics of vehicle operation more closely. So far this year, the purchases of premium grades of petrol have steadily exceeded the percentage that they bore to total sales of motor spirit in prewar years, particularly the sales to commercial consumers (even when only direct commercial sales are measured).

DELIVERIES OF PREMIUM GRADE MOTOR SPIRIT

	1938	1952		
		Feb.	March	April
Dealers	%	%	%	%
Premium grades	52·0	55·4	57·8	60·6
Second grades	48·0	44·6	42·2	39·4
Total deliveries to dealers	100·0	100·0	100·0	100·0
Commercial consumers*				
Premium grades	7·0	13·3	13·0	13·6
Second grades	93·0	86·7	87·0	86·4
Total deliveries to commercial consumers	100·0	100·0	100·0	100·0

* Direct sales only, ignoring dealers' sales to commercial vehicles.

Mr King was not, naturally, putting this point forward as a justification of motor spirit taxation at its present

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level, but as an anomaly arising from it. His paper, examining the effects of taxation upon demand for petroleum products in this country, included calculations of the way in which existing trends of petroleum consumption have from time to time been sharply modified by alterations in taxation here and in other countries, and touched upon the distorting effects that taxation of motor fuels has had upon tractor engine design in this country and upon the use of light hydrocarbon oils in industry. He instanced also a second recent example of the effects of the present rate of tax upon motor transport operation. Since roughly seven miles per gallon can be obtained from a diesel-engined road vehicle for four per gallon from a petrol engine, taxation has accelerated the switch towards diesels in large commercial vehicles—and more recently in the smaller types too. This lower fuel consumption has to be set against higher initial costs ; but the increase of taxation upon both "derv fuel" and motor spirit has greatly widened the range over which diesel operation becomes economic.

Export Premiums in Steel

THE cuts announced this week in the export prices of a few British steel products reflect the growing difficulty of obtaining export premiums in a softening world market for steel. This development, as the Iron and Steel Corporation commented in its farewell report last week, has a direct and somewhat ominous bearing upon the future profitability of the British steel industry. But its effect upon steel prices inside Britain may not be so direct as some Continental steel manufacturers and consumers have recently been arguing that it should be.

ANALYSIS OF STEEL PROFITS, PUBLICLY-OWNED COMPANIES, 1951 AND 1952

	Year ended Sept. 30, 1952	Period ended Sept. 30, 1951, adjusted to annual rate
On activities within the iron and steel industry, both home and export sales being valued at UK controlled prices	37·3	34·7
On activities outside the iron and steel industry	8·9	6·0
From overseas establishments	2·9	2·3
Export premiums, i.e. excess of export prices over UK controlled prices	18·9	12·5
Profits on stocks arising from increases in selling prices during the year	6·7	8·3
TOTAL PROFITS	74·7	63·8

All the European countries that export steel have generally charged more for it overseas than at home whenever they have been able since the war. Over most of the period Britain has charged customers overseas rather less than its Continental competitors have charged, but because the home price in Britain has also been lower than home prices on the Continent, Britain has generally obtained larger export premiums. These have also been more stable, because both the home and the export prices of British steel products have been governed by a policy of fairly stable prices. Continental prices have fluctuated more widely and more often in response to world demand. During the boom after the Korean war began, export prices of steel from Belgium and Luxemburg nearly trebled in a year ; and they were already coming down again by the time last year that British prices, moving up more slowly, had reached about twice the level of mid-1950. From that time, Continental steel export prices continued to fall, until early this year, after a sharp drop in Belgian export prices, the Belgian, French and German producers in concert agreed to fix a level of export prices below which none of them would compete. British prices, more sedately, have followed downwards ; for certain products such as tinplate and sheet, export premiums have disappeared or are disappearing.

Realism and Steel Prices

SINCE the war steel prices inside most European countries have been controlled, and for the most part held low. Inevitably, export premiums have some bearing upon the settling of domestic steel prices, whether or not they are explicitly taken into account in pricing every product ; and this is true in Britain, though since 1949 home prices have formally been set to allow a reasonable margin from home production alone. On some products, particularly in the semi-finished and heavy ranges, British steel producers have been hard put to it to earn the permitted margin ; certain types of billets, for example, became not worth producing. The different levels of export premiums that could be earned, therefore, have a considerable effect on the profitability of different products—and different steelworks.

During the year ended September 30, 1952, the publicly-owned companies as a whole earned nearly £19 million from export premiums. But during the calendar year 1952 Britain imported about 2½ million tons of steel and scrap at prices averaging probably £20 a ton more than British prices. This imported steel was sold at home prices, which had to be raised to cover the loss on importing ; during most of last year the price of steel sold in Britain included a levy of some £3 an ingot ton for this purpose. Any "subsidy" from export premiums, therefore, was probably more than offset. Export premiums earned by other steel exporters, it may be noted, did not have to be set against a loss on imported steel, so that their home prices may indeed have been subsidised to some extent. There are, of course, two elements in the cost of British steel from which home consumers do gain an exceptional benefit. One is the low controlled price of scrap in this country ; this, the British Iron and Steel Federation has calculated, would account for less than £2 a ton of steel, which would still leave British home prices well below Continental. The other is the low price of British coal. Whatever the pricing policy adopted, this price must be counted as artificially cheap when the National Coal Board is in deficit after earning export premiums on the coal it sells abroad—even though the board has to pay £14½ million in interest in good years or



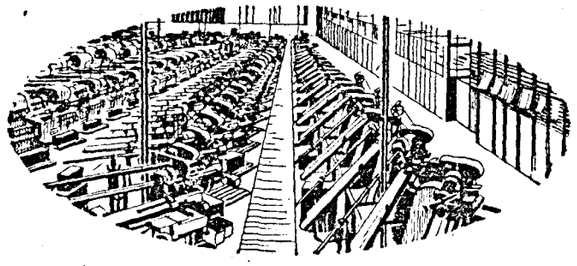
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bad, a steady burden that Continental coal industries may not have to bear. These two elements, rightly or wrongly, seem likely to remain. Moreover, it is perhaps doubtful whether British prices for heavy steel fully cover adequate provision for the replacement of the country's steel plant: but that may equally be true for Continental steel industries.

One Way to Save Fuel

THE idea of an advisory service on fuel efficiency for industry, independent of the Ministry of Fuel and Power, was recommended by the Ridley Committee nine months ago. The Minister accepted it, believing moreover —as the committee did not—that his own official fuel efficiency service should be brought to an end as the new body took over responsibility. A committee under Sir Harry Pilkington, set up to consider what kind of organisation would be needed, has now recommended that it should be a non-profit-making company limited by guarantee, sponsored by the British Productivity Council and assured of a regular income of at least £500,000 a year over and above anything it may earn from providing advice or services. The Minister agrees, and the company is to be set up; its basic income, for five years at least, is to be provided by annual grants of £250,000 a year from the National Coal Board, £100,000 from the British Electricity Authority and £100,000 from the Gas Council. It is also to receive free of charge the testing equipment no longer required when the Ministry closes down its own service. The company is designed to provide advisory services on a scale at least comparable with the Ministry services, with hopes of expanding in the future.

The Ridley Committee, it may be remembered, thought that this service should be financed from a levy on industrial coal sold, and most of the Pilkington Committee agreed; but they were told that "there are objections to this course." Why the cost of providing this service to industry should be paid for by the taxpayer or the general consumer of coal—the same man in another hat—rather than by industry is not explained. The cost is small, and the point unimportant—unless it suggests that industry would rather not bother with the service than pay its full costs. However, whether or not an enthusiastic demand for fuel advice exists, the company's job will be to drum it up, and it deserves good wishes in this task. Its formation coincides with the easing of conditions for the Treasury loans for fuel-saving equipment, which so far industry has generally failed to take up. Both will face the same difficulty—that an industrialist with capital to spend today, considering the very small item that fuel costs constitute in most industries, can usually find productive capital equipment to offer a far better return on his investment. But then, both are part of the same larger policy—that of keeping coal artificially cheap at the same time as rationing it and offering inducements or special financial assistance in order to induce consumers to use less of it.

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The Best Shells—or the Most?

INSPECTION is a key factor in the production of ammunition; the type and the degree of inspection employed, and the authorities that control the inspectors, have a considerable influence upon the rate of output, quite apart from the intended control of quality. Late last year, in studying the Royal Ordnance Factories, the Select Committee on Estimates was struck by the duplication that arises from the direct control of inspectors in certain ammunition factories by the service departments concerned. This week, one of the published departmental replies to the Select Committee's recommendations reveals that the Admiralty and the Ministry of Supply have set up a committee to consider steps to reduce this duplication and thus to avoid the unnecessary disturbance of factories' production programmes that it may involve.

The same question of inspection occupies a prominent place in the productivity team report upon ammunition production in America that was published this week. This team, drawn largely from the Ministry of Supply and the ordnance factories, encountered some difficulties arising from the fact that before its departure nobody had decided quite what it was supposed to do; but it has provided a very clear summary of the general organisation of ammunition manufacture in the United States and detailed studies of certain arsenals and factories. In spite of the elaborate attention given in the American plants to planning for quality control, the team felt that

> in practice the quality of workmanship was often so intimately associated with the rate of production that the quality of the end product might not meet the uniform standards of quality assurance at which we aim in the United Kingdom.

The American rates of production in ammunition factories were generally higher, largely perhaps because the orders, many times higher than in Britain, justified a very much higher degree of mechanisation. Moreover, ammunition in the United States seems on balance to be designed with rather more consideration of the requirements for quantity production, as against user niceties, than ammunition in Britain. These observations of the team, it will be noted, are all of a piece, consistent with the rather different American and British approaches to rearmament and indeed to production in general. They do not, in the case of so highly expendable a product, suggest that on balance the British practice is necessarily the better, though a balance between production efficiency and quality in any item of war equipment is not an easy one to strike.

The Price of Zinc

WITH business rather quiet of late the zinc market has had time to ponder the criticism that has been growing of the London Metal Exchange's method of pricing zinc, which does not, so it is said, necessarily reflect the general supply and demand for the metal. The metal exchange price is related to an ordinary commercial grade of zinc. About 50 per cent of the zinc used by industry—or by certain industries—is of this quality, while the other 50 per cent is of a higher quality and used by other manufacturers. Metal market quotations may give a fair current price for the quoted ordinary quality, but it does not follow that the supply and demand for the other higher qualities move in the same way; yet the higher quality prices are fixed by adding an agreed premium to the quoted ordinary price. There may, at any one time, be a shortage of ordinary quality and an abundance of, say, electrolytic zinc, but because its price is tied to that of the ordinary quality it is dealt in at an unreasonably high price—or not sold at all. That is the burden of the argument.

Because zinc, unlike certain other metals, cannot be bought in the lower grades and transformed into higher qualities simply on payment of a refining premium, the different brands are bought by different industries and, critics maintain, the different qualities should be quoted independently. The varying development of demand for different qualities of an industrial material is an inevitable consequence of technical change; and markets that treat it as a single commodity run the risk of losing a sensitivity to the patchwork pattern of individual demand that is one of the traditional virtues of free dealings in commodities. Should the disproportion widen between the state of supply and demand for special qualities and the prices based on the commonest grades, pressure upon the market to segregate different qualities may come from the consumers as well as the producers of zinc.

Exchange Control and Grain Dealings

THE Bank of England has this week circulated details of the exchange control arrangements under which members of the grain trade will have to operate as they march towards their new-found freedom. A large measure of freedom has already been restored to this trade, for since May 1st last open individual licences have been granted for the import of wheat and flour, coarse grains and feeding stuffs. But the private grain merchant's real opportunity—and real test—will come when the terminal markets in grain are re-opened and when Britain's membership of the International Wheat Agreement runs out and with it the rigidity characteristic of bulk government trading.

The Bank's notice lays down that dealings with buyers and sellers in any part of the world will be permitted only to persons and firms "having a continuing interest in the import and marketing of grain and recommended to the Bank of England by the National Federation of Corn Trade Associations." The broad understanding is that these elect will have complete freedom to buy grain in any country in the world, provided it is intended for consumption in the United Kingdom or any other part of the sterling area. But exports and re-exports of grain from this country will still have to go through the normal export licensing procedure; and although there will be some freedom to engage in third party trade—that is, to buy grain in one country and sell it to another—this will be subject to the important reservation that grain of American, Canadian or other "dollar" origin, may be resold outside the sterling area only against payment in US or Canadian dollars or in sterling from an American or Canadian account. The authorities are evidently determined therefore that Britain cannot yet afford the very real step towards sterling convertibility that would result from any decision to allow European and other countries to buy their dollar wheat against ordinary sterling payments in London; this determination must be influenced by the memory that when dollar-EPU arbitrage was restored for a short while last August, it was in grain that the bulk of the business was done. Nevertheless, the supremely important fact remains that henceforth importers into Britain itself will be able to secure their wheat from the cheapest sources, irrespective of the currency in which payments have to be made. Moreover, the facilities for third party trading and arbitrage should prove considerable, despite the restrictions regarding resales of dollar wheat.

As in other commodity schemes operating in the United Kingdom, the participants will be called upon to make monthly returns to the Bank of England. The usual pledge of secrecy will apply to these but the Bank will have the right to reveal the global figures to the responsible authority in each market and to make representations to them if an undesirably extended position appears to be developing. On all counts—commercial and payments—this new freedom for grain dealings can be regarded as the most important commodity freeing operation that has yet taken place in Britain. Its importance will become even greater when the terminal markets in grain are reopened. It has already been announced that non-residents will be allowed to operate in these markets and to receive payment of any differences that fall due in respect of their transactions.

SHORTER NOTES

Car production in May rose sharply to nearly 50,600 cars and 19,700 commercial vehicles, compared with 44,193 cars and 16,810 commercial vehicles in April. The output of cars was the highest monthly figure to be reached for nearly three years; an important factor in the high rate of production achieved in May compared with earlier months must be the resumption of work at the Austin Motor Company's factory that was paralysed by a strike that lasted from mid-February to April. Exports are also rising, but although the figure of nearly 31,000 cars exported is the highest for a year, it is well below the monthly figures that the industry was recording in 1951 and the beginning of 1952.

★

In a table showing steel profits and capital on page 830 of last week's issue of *The Economist* the net income, after tax, of Dorman Long was wrongly shown as £4,160,000. This figure should have been £2,244,000, and the profits ratio to the net assets of this company should be 9.1 per cent, not 16.9 per cent as given in the table. In the profit ranking of 25 major steel companies shown in this table, Dorman Long should rank eleventh, between Lancashire Steel and the Steel Company of Wales.

Company Notes

BRITISH CELANESE. Although Mr G. H. Whigham, in his statement accompanying the full accounts of British Celanese for the nine months to March 28th last, refuses to venture on a forecast of future earnings, he does suggest that the "outlook for the immediate future is reassuring." To some extent he bases this judgment on "the general indication that stocks of textiles in the hands of the trade at all levels have been reduced materially and no longer represent a barrier between the manufacturer and the demand exercised by the public." The British Celanese group has reduced the book value of its own stocks from £7,371,746 to £5,614,618. Mr Whigham finds further reasons for confidence in the current trends of sales and profits. In the nine months to March 28th, profits were running at the same rate as in the previous twelve months, and since then they have shown a further improvement. Indeed, in the last few months of the financial period the group was unable to meet in full the demand for acetate yarn. The main worries of the industry today seem to be not the level of demand but the continuing rise in operating costs and the shortage of highly skilled labour.

Even with these qualifications, Mr Whigham's statement may serve to invigorate the hopes of shareholders. For the nine months to March 28th shareholders have received an equity dividend of 12 per cent; this is equivalent to a full year's dividend of 16 per cent and is thus a sizeable increase in the dividend of 11 per cent in the previous

	Year to June 28, 1952	Nine months to Mar. 28, 1953
Consolidated earnings :—	£	£
Trading profit	*3,181,261	2,236,274
Total income	3,307,458	3,112,116
Depreciation	632,734	531,840
Taxation	1,612,611	1,096,494
Net profit	*923,622*	*744,552*
Ordinary dividends	217,098	248,112
Ordinary dividends (per cent)	11	12
Retained by subsidiaries	*Dr 39,576*	511
Replacement reserve	100,000	300,000
General reserve	...	400,000
Added to carry forward	73,902	*Dr 14,687*
Consolidated balance sheet :—		
Fixed assets, *less* depreciation	9,522,403	10,534,811
Net current assets	13,763,264	13,729,213
Stocks	7,371,746	5,614,618
Cash	4,253,729	2,372,294
Reserves	8 456,520	9,235,735
Ordinary capital	3,759,267	3,759,267

10s. ordinary stock at 25s.xd yields £6 8s. per cent.
* After writing about £900,000 off stocks.

financial year. Another heartening sign is that the company's funding certificates (issued to make good the dividend arrears on the second preference stocks) have at long last been paid off.

★

ROLLS ROYCE. As the recent success of the de Havilland issue proved, investors in this country are very willing to venture their capital in financing the growth of the aircraft industry. But, equally clearly, the need for their support has not yet entirely disappeared. As one reflection of this, Rolls Royce is to increase its authorised capital by £2 million to £6 million. Its old authorised capital of £4 million was exhausted when an issue of 933,334 ordinary shares (at 50s. each) was made last November. The directors do not intend to issue any part of this additional authorised capital at the moment, but cannot rule out the possibility of further permanent capital being required in the future.

The company's recent record of expanding profits and sales was continued in 1952—when trading profits rose from £2,210,943 to £2,572,215—but this rise in profits must be read in conjunction with the need to finance extensive additions to fixed capital equipment and with the further growth of investment in working capital. Only part of the proceeds of last November's issue were incorporated in the balance sheet drawn up at the end of last year, and the receipt of another 30s. on each share at the beginning of the current year will presumably have already wiped out the bank overdraft of £986,071 that was then outstanding. Nevertheless, this overdraft and the fall of nearly £300,000 in cash balances are eloquent reminders of the current cost of growth, and the company's task last year cannot have been made any easier by the need to revise its plans for expansion to conform with the Government's changes in the rearmament programme. Fortunately for the group, the problem of redeploying resources in recent months has been made easier by off-shore purchases for Nato countries, by orders for marine gas-turbine engines for the American Navy, by the growth of the business in oil engines and by the general increase in demands from overseas customers. This year it should not therefore have any difficulty in repeating the dividend of 15 per cent.

	Years to Dec. 31, 1951	Years to Dec. 31, 1952
Consolidated earnings :—	£	£
Trading profit	2,210,943	2,572,215
Total income	2,587,983	2,933,266
Depreciation	707,997	445,657
Taxation	1,179,139	1,637,000
Net profit	*546,063*	*599,356*
Ordinary dividends	241,500	300,500
Ordinary dividends (per cent)	15	15
General reserve	125,000	109,073
Added to group carry forward	179,563	189,783
Consolidated balance sheet :—		
Fixed assets, *less* depreciation	2,850,945	4,192,443
Net current assets	4,050,895	5,576,005
Stocks	4,276,059	5,984,789
Cash	801,057	509,067
Bank overdraft	...	986,071
Reserves	2,994,447	4,320,897
Ordinary and worker's capital	3,066,666	4,000,000

£1 ordinary stock at 60s. 7½d. yields £5 per cent.

★

METAL BOX. In the face of stiffer competition, rising costs and a rather unsteady demand, the Metal Box group last year adopted a deliberate policy of expanding production and accepting lower profit margins. The result, as was pointed out in these columns a fortnight ago, was that the value of the group's sales rose from £36.4 million to nearly £40.2 million, but that its profits fell from £3.7 million to £3.3 million. The full accounts and balance sheet now show that stocks also fell, by some £200,000 to £10,439,185—but thanks wholly to a fall of £400,000 in the stocks of overseas subsidiaries. Currently, the chairman, Sir Robert Barlow, reports that "the home trade demand is strong" and that many of the industries that were most affected by last year's recession in trade are now pressing for delivery. Of export markets, Sir Robert says only that they "have begun to open up again." But Sir Robert also reveals that the company has based its plans this year on what it can hope to sell and not, as in past years (when tinplate was short), on what it could produce; he adds that it is still too early to gauge the full effects upon demand of the removal of the restrictions on packaging. In these circumstances it is not surprising that the market appears to expect nothing more than the repetition of an ordinary dividend of 15 per cent; at their current price of 56s. xd., the £1 ordinary stock units offer a yield of 5.35 per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, June 17, 1953	Price, June 24, 1953	Net Yield, June 24, 1953	Gross Yield, June 24, 1953
			£ s. d.	£ s. d.
War Bonds 2½% '52-54	99⅛	99⅛	0 18 8	2 11 9
Exchequer 2½% 1955	99⅛	99⅛	1 7 8	2 12 6
Exchequer 3% 1960	100⅜	100⅜	1 12 1	3 0 5
Ser. Funding 1½% '53	99⅛	99⅛	1• 10 5	2 10 10
Ser. Funding 1½% '54	98⅛	98⅛	1 5 2	2 13 4
Ser. Funding 3% '55	100⅛	100⅛	1 6 6	2 11 9
War Bonds 2½% '54-56	99⅜	99⅜	1 10 0	2 15 0f
Funding 2½% '52-57	100	100	1 10 0	2 15 0f
Nat. Def. 3% '54-58	100⅜•	100⅛•	1 9 9	2 16 4f
War Loan 3½% '55-59	101⅛	101⅛	1 9 11	2 17 8f
Savings 3% '55-65	95⅛	95⅛	2 2 10	3 11 8f
Funding 2½% '56-61	97⅛	96⅛	1 17 1	3 0 8f
Funding 3% '59-69	90⅞	90⅞	2 8 6	3 17 9f
Funding 3% '66-68	93⅛	91⅛•	2 6 7	3 14 9f
Funding 4% 60-90	100⅛	99⅞	2 5 5 / 2 4 4	4 2 5e / 4 0 9f
Savings 3% '60-70	89⅜	89⅞	2 9 3	3 19 0f
Savings 2½% '64-67	88⅛	88⅛	2 8 1	3 12 8f
Victory 4% '20-76	101⅛	101⅛	2 9 3	3 19 1s
Savings 3% '65-75	86⅛	86⅛	2 9 9	4 0 1f
Consols 4% (aft. 1957)	92⅛	89⅞•	2 8 10	4 8 7f
Convs. 3½% (aft. 1961)	82⅜	81⅜	2 7 5	4 6 8f
Treas. 2½% (aft. 1975)	60⅛	60⅛	2 6 0	4 4 0f
Treas 3% (aft. 1966)	71⅜	71⅛	2 6 7	4 5 0f
Treas. 3½% '77-80	90⅜	90⅜	2 8 4	4 2 0f
Redemption 3% '86-96	80⅛	80⅛	2 8 0	3 19 0f
War Loan 3½% aft 1952	81⅛	81	2 7 7	4 6 8f
Consols 2½%	61¼•	60⅞•	2 5 6	4 2 8f
Br. Elec 3% '68-73	87⅛	87⅛	2 10 0	3 19 11f
Br. Elec. 3% '74-77	86⅛	86	2 9 2	3 19 5f
Br. Elec 4½% '74-79	100⅞	100⅞	2 6 5 / 2 6 7	4 5 3e / 4 5 3f
Br.Elec.4½% 'A' '74-79	100⅞	100⅜	2 6 7 / 2 6 7	4 5 0e / 4 5 0f
Br. Elec. 3½% '76-79	91⅞	91⅛	2 7 5	4 1 0f
Br. Trans. 3% '78-88	80⅜•	80⅞•	2 10 0	4 1 3f
Br. Trans. 3% '68-73	87⅛	87⅞	2 10 0	3 19 11f
Br. Trans. 4% '72-77	97⅛•	97⅛	2 7 1 / 2 6 7	4 3 8e / 4 3 2f
Br. Gas 3% '90-95	80⅜	80⅞	2 8 4	4 0 0f
Br. Gas 3½% '69-71	95⅛	94⅜	2 6 6	3 19 11f
Br. I. & S. 3½% 79 81	91⅛	91⅛	2 7 8	4 1 11f

(e) To earliest date. (f) Flat yield. (l) To latest date. (s) Assumed average life 15 years approx. • Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price June 17, 1953	Price, June 24, 1953	Yield, June 24, 1953
%	%					£ s. d.
20	a	40	Anglo-Am. 10/-	5⅛	5⅛	5 3 3
5	a	30	b Anglo-Iran £1	5⅛	6	5 16 8
7½	a	12½	b Assoc. Elec. £1	73/9	73/9	5 8 8
7½	a	22½	Assoc. P Cem. £1	111/3	112/6	5 6 8
33	b	10	Bass £1	117/6•	117/6•	7 6 5
10	a	10	b Boots 5/-	20/3	20/3	4 18 9
3	a	7	Brad. Dyers £1	26/6	26/6	7 10 11
11c		12	Br. Celanese 10/-	24/6•	25/-•	6 8 0s
17½			Br. Motor Cp. 5/-	6/3	6/3	8 6 5g
6	a	9	b Br. Oxygen £1	54/3	54/3	5 10 7
3	b	3	a Can. Pac. $25	$46	$47½•	5 13 4
8	a	7½	b Coats £1	43/-	42/-	5 19 1
5	a	6½	b Courtaulds £1	39/6•	39/-•	5 15 5
16	c	24	a Cunard £1	36/6	36/-	8 17 9
15	b	7½	a Distillers 4/-	16/6	16/6	5 9 1
17½	c	17½	c Dunlop £1	46/3	46/3	7 11 4
15	c	15	Ford £1	27/9	27/9	5 8 1r
15	b	5	a Gen. Elect. £1	40/7½	40/7½	5 10 9p
5	a	10	b Guest Keen £1	46/-	47/-	6 7 8
10	b	1	a Guinness 10/-	27/6•	27/6•	6 3 8
8½	b	6	a Hawker Sid. £1	37/6	40/6	5 13 7
5	a	8	b Imp. Chem. £1	42/6	44/-	5 18 2
13½	a	11½	b Imp. Tobacco £1	52/6	52/6	7 12 5o
52·6	c	51	a Int. Nick. n.p.	$70½	$71½	6 9 9
17½	c	17½	c J'burg Con £1	53/9	52/6	6 13 4
5	a	10	b Lancs. Cotton £1	41/3	44/-	6 16 4
7½	a	10	b Lon. Brick £1	62/6	62/6	5 12 0
15	a	35	b Marks & Sp. A 5/-	53/6	55/-	4 11 1
6¼	a	11½	b Monsanto 5/-	20/6	20/6	4 9 5
6	a	14	b P. & O. Def. £1	56/6	57/6	7 1 2
17½	b	7½	a P. Johnson 10/-	30/-	30/-	8 6 8
†100	c	†105	c Prudentl. 'A' £1	36½	35½	5 7 3
175	b	50	a Rhokana £1	17⅞	18½	12 8 3
5	a	10	b Rolls Royce £1	60/-	60/7½	4 19 9
15	a	†10	b "Shell" Reg. £1	82/6	83/9	6 10 0
8½	b	7½	a Tube Invest £1	56/-	56/-	5 7 2h
20	b	2½	a Tur. Newall £1	51/-	51/6	4 17 1m
6	a	8½	b Unilever £1	48/1½	47/9	5 15 1
12½	c	8⅞	a Union Castle £1	23/-	23/-	6 10 5
5	a	5	b Union Disc. £1	42/-	42/-	4 15 3
†4½	a	†6⅜	b Utd. Molass. 10/-	27/9	27/9	7 4 7q
7½	a	12½	b U. Sua Betong £1	35/-	35/-	11 8 7
2½	a	12½	b Vickers £1	48/-	48/-	6 5 0
85	c	20	a Woolworth 5/-	54/-	55/-	5 0 0

(a) Int. (b) Fin. (c) Div whole yr. (g) Div. 17½% for 4 months. Yield basis 10⅔%. (h) Yield basis 15%. (k) On doubled capital. (m) Yield basis 12½%. (o) Yield basis 20%. (p) Yield basis 11½%. (q) Yield basis 20·06% gross. (r) Yield basis 7½%. (s) 12% paid for 9 months. Yield basis 16%. • Ex div. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 20, 1953, total ordinary revenue was £42,884,000, against ordinary expenditure of £69,000,000 and issues to sinking funds £600,000. Thus, including sinking fund allocations of £6,262,000 the deficit accrued since April 1, 1953, was £144,691,000 compared with a deficit of £192,719,000 for the corresponding period of the previous financial year.

	Estimate, 1953-54 £'000	April 1, 1952 to June 21, 1952	April 1, 1953 to June 20, 1953	Week ended June 21, 1952	Week ended June 20, 1953
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1782,250	238,148	217,221	20,053	12,588
Sur-tax	127,000	20,100	19,700	1,300	1,400
Death Duties	160,000	35,400	41,300	2,800	3,400
Stamps	52,000	11,200	12,400	400	900
Profits Tax & EPT	214,000	59,200	37,500	4,400	4,500
Excess Profits Levy	99,500	...	9,250	...	400
Special Contribution and other Inland Revenue	1,000	510	280	40	...
Total Inland Rev.	2435,750	364,558	337,651	28,993	23,188
Customs	1044,300	232,049	232,721	21,236	20,589
Excise	680,480	151,644	149,790	3,730	3,530
Total Customs and Excise	1724,780	383,693	382,511	24,966	24,119
Motor Duties	69,000	6,374	7,346	...	...
PO (Net receipts)	2,685	...	...	*Dr2400*	*Dr4500*
Broadcast Licences	16,000	1 900	2,200	...	...
Sundry Loans	25,000	2,157	2,015	...	...
Miscell.	95,000	25,878	15,828	10,003	77
Total Ord. Revenue	4368,215	784,560	747,552	61.562	42,884
SELF-BALANCING					
Post Office	224,615	43,500	47,500	4,800	7,200
Income Tax on EPT Refunds	3,300	1,481	1,194	88	10
Total	4596,130	829,541	796,246	66,450	50,094
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	615,000	135,837	144,209	...	...
Payments to N. Ireland	48,000	7,202	7,346	...	...
Other Cons. Funds	10,000	1,015	790	128	...
Total	673,000	144,054	152,345	128	...
Supply Services	3586,286	827,585	733,635	83,760	69,000
Total Ord. Expend.	4259,286	971,639	885,980	83,888	69,000
Sinking Funds	...	5,741	6,262	960	600
Total (excl. Self-Balancing Expd.)	4259,286	977,379	892,242	84,848	69,600
SELF-BALANCING					
Post Office	224,615	43,500	47,500	4,800	7,200
Income Tax on EPT Refunds	3,300	1,481	1,194	88	10
Total	4487,201	1022,360	940,936	89,746	76.810

After increasing Exchequer balances by £56,605 to £3,253,004, the other operations for the week increased the National Debt by £56,617,222 to £26,296 million.

NET RECEIPTS (£ THOUSAND)

Interest on the National Debt	12,534

NET ISSUES (£ THOUSAND)

PO and Telegraph (Money) Act, 1952	1,100
EPT Refunds	12
Local Authorities Loans Act, 1945, s. 3(1)	25,450
Overseas Resources Development Act, 1948, s. 17(1): *Colonial Development*	500
Miscellaneous Financial Provisions Acts, 1946 and 1950 and Civil Contingencies Fund Act, 1952	15,000
Finance Acts, 1946 & 1947: Postwar Credits	317
	42,379

CHANGES IN DEBT (£ THOUSAND)

Receipts		Payments	
Nat. Savings Certs.	400	Treasury Bills	78,022
3½% Def. Bonds	1,150	2½% Def. Bonds	540
3% Exchequer Stk., 1950	99,950	3% Def. Bonds	1,293
Tax Reserve Certs.	1,678	3% Term. Annuities	1,502
Ways and Means Advances	38,555	3½% Term. Annuities	525
		Other debt Internal	561
		External	2,673
	141,733		85,116

FLOATING DEBT (£ MILLION)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1952						
June 21	2,830·0	1,504·1	301·8	2·3	...	4,638·2
1953						
Mar. 21	2 810·0	1,569·5	332·2	...	...	4,711·7
,, 31	4,406·6		303·5	3·8	...	4,713·9
April 11	2,880·0	1,585·3	243·7	...	...	4,709·0
,, 18	2,950·0	1,542·3	298·6	...	...	4,791·0
,, 25	2,990·0	1,514·8	288·2	...	...	4,793·0
May 2	3,010·0	1,478·8	256·6	...	...	4,745·4
,, 9	3,030·0	1,462·3	238·6	3·5	...	4,734·4
,, 16	3,050·0	1,484·2	236·0	...	...	4,770·2
,, 23	3,080·0	1,467·5	247·1	...	...	4,794·6
,, 30	3,100·0	1,440·9	255·1	...	...	4,796·0
June 6	3,130·0	1,461·9	244·6	0·7	...	4,837·2
,, 13	3,160·0	1,483·0	239·0	...	...	4,882·0
,, 20	3,180·0	1,385·0	277·6	...	...	4,842·6

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Min. Rate %
1952						
June 20	250·0	301·1	250·0	48	8·25	77
1953						
Mar. 20	260·0	351·0	260·0	47	11·78	63
,, 27	250·0	334·6	250·0	48	0·20	67
April 2	230·0	322·8	230·0	48	3·93	60
,, 10	250·0	357·6	250·0	48	4·20	62
,, 17	230·0	360·8	230·0	48	3·51	45
,, 24	210·0	330·3	210·0	47	8·04	58
May 1	210·0	351·1	210·0	47	7·37	34
,, 8	240·0	347·4	240·0	47	7·83	56
,, 15	250·0	345·8	250·0	47	8·01	62
,, 22	250·0	343·3	250·0	47	7·94	62
,, 29	260·0	346·9	260·0	47	4·01	70
June 5	270·0	339·3	270·0	47	4·52	74
,, 12	270·0	353·1	270·0	47	4·26	69
,, 19	270·0	350·1	250·0	47	4·22	63

On June 19th applications for 91 day bills to be paid from June 22 to June 27, 1953, were accepted dated Monday to Saturday as to about 63 per cent at £99 8s. 2d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million were offered on June 26th. For the week ended June 27th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ THOUSAND)

	Totals 11 weeks ended: June 14, 1952	June 13, 1953	Week ended June 13, 1953
SAVINGS CERTIFICATES			
Receipts	25,400	39,100	3,000
Repayments	32,400	31,100	2,800
Net Savings	*Dr 7,000*	8,000	200
DEFENCE BONDS			
Receipts	8,535	16,480	1,275
Repayments	15,430	19,030	1,290
Net Savings	*Dr 6,895*	*Dr 2,550*	*Dr 15*
POST OFFICE AND TRUSTEE SAVINGS BANKS			
Receipts	153,203	161,259	14,153
Repayments	167,776	188,385	16,178
Net Savings	*Dr 14,573*	*Dr 27,126*	*Dr 2,025*
Total Net Savings	*Dr 28,468*	*Dr 21,676*	*Dr 1,810*
Interest on certs. repaid	8,805	9,033	826
Interest accrued	27,173	27,121	2,469
Change in total invested	*– 10,100*	*– 3,588*	*– 197*

BANK OF ENGLAND RETURNS

ISSUE DEPARTMENT

JUNE 24, 195

	£		£
NOTES ISSUED:–		Govt. Debt	11,015,1
In Circulation	1540,230,505	Other Govt. Securities	1585,686,2
In Banking Department	60,126,318	Other Securities	784,0
		Coin (other than gold)	2,514,6
		Amount of Fid. Issue	1600,000,0
		Gold Coin and Bullion (at 248s. per oz. fine)	356,8
	1600,356,823		1600,356,8

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Securities	333,084,4
Rest	3,579,624	Other Securities	21,933,4
Public Depts.	54,299,474	*Discounts and Advances*	*8,095,0*
*Public Accts.**	*9,834,201*	*Securities*	*13,838,4*
H.M. Treas.			
Special Acct.	*44,465,273*		
Other Depts.	344,832,219		
Bankers	*276,680,293*	Notes	60,126,3
Other Accts.	*68,151,926*	Coin	2,120,0
	417,264,317		417,264,3

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

COMPARATIVE ANALYSIS (£ MILLION)

	1952	1953		
	June 25	June 10	June 17	June 24
ISSUE DEPT.:—				
Notes in circulation	1,442·1	1,542·6	1,539·1	1,540·2
Notes in banking department	58·3	57·7	61·3	60·1
Government debt and securities*	1,496·7	1,596·8	1,596·8	1,596·7
Other securities	0·8	0·7	0·7	0·8
Gold and coin	2·9	2·9	2·9	2·9
Value at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
BANKING DEPT.:—				
Deposits:—				
Public Accounts	10·6	16·8	16·4	9·8
Treas. Special Acct.	13·6	44·5	44·5	44·5
Bankers	275·7	267·4	268·3	276·7
Others	72·5	71·6	73·5	68·2
Total	372·4	400·3	402·7	399·2
Securities:—				
Government	289·9	335·6	336·8	333·1
Discounts, etc.	21·2	8·9	6·9	8·1
Other	19·7	14·1	13·9	13·8
Total	330·8	358·6	357·6	355·0
Banking dept. reserve	59·8	59·6	63·2	62·2
	%	%	%	%
"Proportion"	16·0	14·8	15·6	15·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,550 million to £1,600 million on June 3, 1953.

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

	June 17, 1952	June 15, 1953	June 23, 1953
Cereals and meat	197·4	203·1	203·0
Other foods	188·8	203·2	203·8
Textiles	223·6	220·3	220·1
Minerals	375·9	341·3	344·0
Miscellaneous	190·4	181·3	180·8
Complete Index	**224·8**	**221·5**	**221·7**
1913 = 100	*309·4*	*304·7*	*305·0*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 14, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1953	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 18	74·00	85·25	160 8	91 14
,, 19	74·00	85·25	160 0	92 8
,, 20	Markets	closed	161 0	92 11
,, 22	74·00	85·25	161 10	92 10
,, 23	74·00	85·25	159 10	91 10
,, 24	74·00	85·25	158 8	90 8

COMPANY MEETINGS

BRITISH CELANESE LIMITED

MR G. H. WHIGHAM'S STATEMENT

The thirty-fourth annual general meeting will be held at the Great Hall, Winchester House, 100 Old Broad Street, London, E.C.2, on Thursday, July 16, 1953, at 12 noon.

The following statement to stockholders by the chairman, Mr G. H. Whigham, has been circulated with the full report and accounts for the nine months ended March 28, 1953:

The accounts presented deal with a period of nine months only instead of the usual twelve months due to the change of the accounting date to which I referred in my statement last year.

The net profit of the group for the nine months, before taxation, of £1,841,346 is at a rate broadly equivalent to that earned in the previous year.

There have been added to the net profit of £744,341, after tax, provisions from previous years no longer required of £804,689, of which £160,938 is to be applied in the purchase or redemption of funding certificates—a net addition of £643,751.

General reserve has been increased to £3 million, and reserve towards increased cost of replacement of property and plant to £2 million, an increase in the aggregate of £700,000.

After providing for fixed dividends on preference stocks, interest on and redemption of funding certificates, dividends recommended, and after transfers to reserves, the carry forward of the group at £766,792 shows an increase of £35,666.

You will see from the directors' report that future profits will be relieved of any charge for repayment of funding certificates. You may remember that in 1942 £1,700,000 of these certificates were issued to second preference stockholders in satisfaction of arrears of fixed dividends on second preference stock.

Under the conditions of issue the profits of each financial period were subject to a deduction for interest on the certificates and to the setting aside of a proportion of the profits for redemption of the certificates in priority to the payment of dividends on the ordinary stock. As provision sufficient to redeem the whole of the outstanding certificates has now been made, the position of ordinary stockholders in the future, in relation to distributable profits, will be substantially improved. It is very satisfactory to be able to report this position after a period of just over ten years, as this is a very much shorter period than was visualised in 1942 when the certificates were issued. It should also be appreciated that the whole of the £1,700,000 and the net interest paid relevant thereto has been provided out of profits which have already been subject to taxation at very high rates.

During the nine months, £46,133 of debenture stocks were purchased and cancelled.

DIVIDENDS AND TAXATION

In my statement which accompanied last year's accounts, I referred to the recession in our industry during the last half of the year ended June 28, 1952. At the annual general meeting I informed you that business during the three months July to September, 1952, had improved and that we had made a small profit.

This improvement continued progressively throughout the remaining six months of the period and the net profit of British Celanese, Limited, of £744,341 (after tax) was practically all earned during the six months ended March 28, 1953; over the whole period of nine months this profit represents earnings of approximately 16.5 per cent (actual) on the ordinary stock. On a *pro rata* basis this is equivalent to 22 per cent for 12 months.

Earnings, so far as the current financial year has progressed, have further improved.

As will be seen from the report, your board have recommended a dividend on the ordinary stock of 12 per cent (actual) for the nine months, which is equivalent to a rate of 16 per cent for twelve months.

As regards the concessions proposed by the Chancellor in his recent budget, the reduction of 6d. in the £ in the income tax is of course welcome as a step in the right direction. Let us hope that it is only a beginning towards easing the heavy burden of taxation on industry.

The reintroduction of initial allowances is also welcome, although the immediate taxation benefit on these allowances can only really be considered as representing an interest-free loan. This loan will have to be repaid by reduction in wear and tear allowances in subsequent years unless of course the rate of tax should be materially reduced during the life of the plant or buildings in question.

This company has not so far been subject to excess profits levy, but we welcome its abolition in view of the benefit to industry in general.

Much has been said in the press and in the House of Commons regarding purchase tax on textiles and, while we appreciate the Chancellor's difficulties, we cannot but be disappointed that he has found himself unable to make further adjustments in this tax, and we hope that next year will see the complete removal of purchase tax on British manufactured rayon goods.

TRADING

The demand for our acetate yarn during the latter part of the trading period has been in excess of our ability to supply, despite the steady increase in output as new labour has been trained and become efficient. The monthly rate of turnover in the home market during the last six months of the financial period under review shows considerable improvement over the comparable months of the previous year.

The company's export turnover during the whole period under review was about the same in total as in the corresponding period of the previous financial year but the last six months show a sharp improvement. A much higher proportion than previously was contributed by shipments of yarn and a lower proportion by the shipments of fabrics. In general, yarn exports enjoy freer access to overseas markets than do fabrics, since many countries which hitherto imported fabrics are now seeking to weave and knit them.

The export market is always subject to keen competition, but the sudden imposition of import bans or high tariffs and other obstructions to trade makes it impossible to conduct export business on a normal basis.

RAW MATERIALS AND STOCKS

Raw materials during the period under review were in good supply and prices have been falling, but other important factors in production costs, such as labour, fuel, power and freight, have continued to rise. Our cellulose and other stocks are at a satisfactory volume and valuation.

PLANT EXPANSION AND MODERNISATION

Although the execution of our plans for plant expansion and modernisation was slowed down somewhat during the recent textile recession, substantial progress has been made in this respect and further expenditure has since been approved.

At Wrexham, building construction is proceeding and plant is being ordered.

The factories at Wigan, Jarrow and Blyth are again operating satisfactorily.

RIVER POLLUTION

Much work has been devoted to the problem of complying with the order made against us in the pollution action last year. It was never anticipated, and the court was so informed, that the period of two years for which the injunction was suspended would be sufficient to enable us or our co-defendants to provide a remedy against the complaints. Much research work has, however, been done and a good deal of progress has been made.

Cooling units are in course of construction which, when they come into operation early next year, should remove the complaint of overheating the river. We have also been able to reduce our trade waste pollution figure by something like 35 per cent.

I have previously indicated that the problem of full compliance with the injunction is a difficult one which will necessitate the construction of extensive and expensive new works. Further research is necessary before the best methods of treatment of the waste can be established. We have been advised, however, by our consultants that the most efficient method of dealing with it is most probably by treatment in combination with domestic sewage. We have accordingly continued negotiations with Derby Corporation and with the Ministry of Housing and Local Government with a view to arranging for the treatment of our waste by the corporation in their own sewage works. The corporation have pointed out their difficulties in this matter which arise because they are themselves under injunction against polluting the river and so have their own urgent problems. I am able to report that a good deal of experimental work has, however, been carried out by the company and the corporation in collaboration, and discussions have taken place between the advisers of the two bodies whereby it is hoped that the negotiations will result in a mutually satisfactory solution.

It will be impossible to put the matter wholly right before the expiration of the period of suspension next April, and it will be necessary for us to apply for a further suspension. We expect, however, to be able to show a real improvement by that time and, meanwhile, every effort is being made to cope with the problem.

RESEARCH AND DEVELOPMENT

Your board is well satisfied with the progress arising from research. The very nature of research, however, precludes my being explicit on the specific lines being followed, but I may say that the maintenance of our commercial position is in no small measure due not only to the day to day application of developments arising out of research but also

from time to time to major developments attributable to it. Because of our awareness of the expected outcome of our researches you may be assured that a close watch is kept upon the probable trend of our future activities when planning modifications and extensions of plant and buildings so that these preserve the maximum interchangeability of productive use.

The position with regard to personnel for the rapid technological development of new processes is not, however, so satisfactory. This is mainly due to the fact that as a nation we have by comparison with other industrial countries so far neglected to afford adequate educational facilities for training in the practical technologies other than engineering. In these circumstances, the company therefore has itself to take active steps to provide the facilities for technical training to suitable scientifically qualified staff.

FUTURE OUTLOOK

Under the constantly changing world conditions, there are many unknown and unpredictable factors, and it would be imprudent for me to venture an estimate of future earnings, but I may say that the outlook for the immediate future is reassuring. The general indication is that stocks of textiles in the hands of the trade at all levels have been reduced materially and no longer represent a barrier between the manufacturer and the demand exercised by the public.

Acetate yarns maintain their prominent position in the textile industry. More new man-made fibres will undoubtedly emerge from the research stage into the commercial stage as the years go by. Each of them may have certain special qualities which in many cases can be most usefully absorbed in the making of mixture fabrics in which, no doubt, acetate will be very largely used. In this connection your company is spending considerable sums on research in order that it may keep abreast of the times.

A feature of our industry is the stability in price both of rayon yarn and staple compared with natural fibres and this must have been of immeasurable value to all sections of the textile industry, particularly during the recent difficult period. This stability we hope will continue, bearing in mind that the cost of certain elements, such as raw materials and wages, is outside our control.

The element of wages in our costs can be decisive as to whether we remain competitive or not, and I look to the good sense of the workers and their representatives in this matter. Any increase in wages must be coupled with increased productivity if we are to remain competitive.

PERSONNEL

You will see from the directors' report that, during the year under review, Mr G. H. Spilman was appointed vice-chairman and Mr W. A. Dickie and Mr C. H. Colton assistant managing directors.

Mr Spilman has served the company from its very early days and has been a member of the board of directors since 1927 and a managing director since 1945. His knowledge and long experience of the company's business and of the rayon industry as a whole make him eminently suitable to hold the office of vice-chairman.

Mr Dickie and Mr Colton have both served the company for many years, Mr Dickie mainly on the technical and development side and Mr Colton on the sales side. They have both been members of the board of directors since 1945.

Mr W. H. Poxon has relinquished his duties as secretary of the company, which position he has held for over 25 years. He has been a member of the board of directors since 1945, and he will continue to act as director concerned chiefly with finance; his long experience of the secretarial, legal and financial matters of the company will continue to be of great benefit to the company.

I am glad to say that a large proportion of the skilled and valued workers of long-standing, whose services we were compelled to lose on account of the trade recession, have gradually returned to employment with us.

Since my statement last year, the improvement in trading conditions has called for great efforts not only by our factory operatives but also by the whole staff of the company owing to the increased demands on their services, and they have responded with the most commendable energy; and I take this opportunity of thanking all employees for their loyalty and hard work. We are still in need of additional well-qualified technical staff, and contacts to this end have been made with the principal universities and technical colleges in this country.

The company is completing a large new sports field at Spondon where a variety of sporting activities can be carried on. It is hoped that these activities will further cement the excellent spirit of comradeship existing amongst our operatives and staff.

THE CAPE ASBESTOS COMPANY

DIAMOND JUBILEE

POSITION OF FINANCIAL STRENGTH

MR ROBERT WALKER ON MAJOR DEVELOPMENTS

The sixtieth ordinary general meeting of The Cape Asbestos Company, Limited, was held on June 24th, in London, Mr Robert Walker, MBE (the chairman), presiding.

The following is an extract from his circulated statement:

Your company was incorporated on December 28, 1893, and this year we therefore celebrate our diamond jubilee. The initial issued capital was £45,000 and the assets then acquired were asbestos-bearing properties in South Africa and a factory at Turin. From this modest beginning we have grown in stature. Our capital and reserves today amount to £4,634,111.

The trading profit of the group at £1,407,058 just exceeds the 1951 total of £1,381,659.

The net profit of the parent company alone is down at £506,645 compared with £528,327. In explanation, I may say that we earned a smaller margin of profit on trading in the home market as a result of continuing increases in wages, and in overhead expenses such, in particular, as fuel and power. In the latter part of the year, also, there was a falling off in the volume of business, resulting, of course, in keener competition. But, as I have said on more than one occasion, we welcome competition. Our products sell because we make them, so far as is in our power, the highest quality goods obtainable in the trade, and I know this policy will sustain us in the future as it has done in the past. Our overseas interests, on the other hand, provided us with greater income, which went a considerable way to compensating for the shortfall in profit at home.

The year's profit, together with £141,171 brought forward from 1951, leaves available for disposal the sum of £647,816, out of which it is necessary to provide £283,213 for taxation. Of this £57,000 is for profits tax, £181,213 goes in income tax, and £45,000 is provided for excess profits levy.

Your directors recommend that £75,000 should be placed to general reserve and that a final dividend on the ordinary shares of 20 per cent be declared, making with the interim of 5 per cent a total of 25 per cent for the year, compared with 22½ per cent last year. The payment of this dividend, together with the preference dividend, requires £141,277, and leaves £148,326 to be carried forward.

The consolidated balance sheet shows a further accretion of strength. Current assets are up at £3,778,721 compared with £3,385,739 last year and in spite of an increase of over £200,000 in the value of stocks and stores, I am particularly glad that we are able to disclose a healthy liquid position, cash and realisable securities showing a total of £1,277,784. Current liabilities at £1,336,735 continue to remain well below current assets. Revenue reserves, including undistributed profits, amount to £2,332,561 compared with £1,969,673 last year.

FACTORIES

This has been a difficult year for our established factories. Our Barking factory, the mainstay at home, has in the circumstances, done well and the Acre Mill factory has weathered a trying period of reconstruction with far less disturbance to production than might have been expected. The results of Uxbridge board factory have shown an improvement and the sales division is to be complimented for their efforts. The Kentmere works have had a year of full production with gratifying results.

SUBSIDIARIES

Mining operations in South Africa have again brought results which are a most satisfying harvest from the policy of reinvestment and expansion which your board has pursued at a cost of over £1 million in the past three years.

We cannot, however, regard the South African scene with complacency. The pressure from consumers for increased production has left us little time to devote to methods of improved treatment of the fibre. Buyers of crude asbestos are more critical in their demands, and every effort is being made to improve production methods and the quality of the milled fibre.

Cape Asbestos Insulations (Pty.), Limited, has had a satisfactory year.

Capamianto, S.p.A., has had a good year's volume of trading.

The Uxbridge Flint Brick Company, Limited, has had another successful year, and production is now very near the maximum of which the present installation is capable, while the Weaver Manufacturing and Engineering Company, Limited, has broken all previous records.

DEVELOPMENT

I will now refer to two new major developments which have taken place since I last addressed you.

Firstly, a new subsidiary called Marinite, Limited, has been formed jointly with the Johns-Manville Corporation to manufacture in the United Kingdom an incombustible board mainly for marine use. The past year has been spent equipping a large factory, acquired in Glasgow, with the costly and heavy machinery necessary to make this unique board.

A second venture, more recent still, is the purchase of a site at Stirling for the purpose of manufacturing a form of insulation produced from inorganic fibres made from rock and clay found in Scotland.

This is marketed under the registered name of Rocksil and will be distributed by our old friends William Kenyon and Sons, Limited, of Dukinfield. All the necessary formalities have been completed and the erection of buildings and machinery is being urgently pressed forward.

The report was adopted.

SPILLERS, LIMITED

FURTHER IMPROVEMENT IN RESULTS

PROPOSED DECONTROL WELCOMED

MR WILFRED D. VERNON'S STATEMENT

The sixty-sixth annual general meeting of Spillers, Limited, was held on June 19th at the Great Eastern Hotel, London, E.C., Mr Wilfred D. Vernon, chairman of the company, presiding.

The secretary (Mr Cyril Harvey, FCIS) read the report of the auditors.

The following is the chairman's statement which had been circulated with the report and accounts for the year to January 31, 1953, and was taken as read:

I am most grateful to the directors for the confidence which they have shown in me by electing me as chairman of the board. It is a privilege to hold this office, and I can assure the stockholders that I shall do all in my power to further the interests of the company.

The directors in their report have expressed their high appreciation of the work done for the company by my predecessor, Mr Arthur Whittaker. I should like to add a personal tribute as I have worked closely with Mr Whittaker for the major part of my business career. His ability and strength of character enabled him to rise from the most junior to the most senior office in the company, and he played a most important part in building up the business to its present level. His wise counsel and leadership have been of great value to his colleagues and we are sure that the stockholders will join with us in wishing him a long and happy retirement.

NEW EXECUTIVE DIRECTORS

We welcome to the board two new executive directors in Mr R. A. Twomey and Mr C. P. Rishworth. Both have a wide experience of the company's business and previously occupied senior managerial posts in our service—Mr Twomey as general manager in the North East area, and Mr Rishworth as manager of the Central Technical Department. I warmly commend the confirmation of their appointment to the stockholders.

It is with great pleasure that we congratulate Mr Humphrey Vernon, one of the joint managing directors, upon his nomination by the Council of the National Association of British and Irish Millers as their next president. We wish him every success in his tenure of that important and exacting office.

Two new area general managers have been appointed. Mr Hugh Potter has succeeded Mr Twomey in the North East Area and Mr A. P. W. Baker has succeeded Mr W. H. Clark in the North West Area. Mr Clark has retired after 46 years' valuable service with the company and its predecessors and he has our best wishes for a complete recovery from his recent illness.

THE YEAR'S RESULTS

I need not make any detailed comments on the accounts since this has been done in the directors' report. I am glad, however, that we are able to show a further improvement in results, the profit after making adequate provision for depreciation and obsolescence being £2,256,000 as compared with £1,980,000 in the previous year. But taxation absorbs £1,520,000 so that the net profit available of £736,000 is only £106,000 greater than last year. The relief afforded by the small reduction in the rates of income tax and profits tax has been largely offset by the charge for the excess profits levy. Nevertheless it is satisfactory that in this year's Budget the Government have recognised the need to make a start in lightening the burden of taxation on industry to enable it to increase its savings for the carrying out of modernisation and development upon which so much depends.

Your directors are very sensible of the facts that the development of this company's operations has been made possible by the ploughing back of profits over a long period and that the present level of distribution represents only about 4 per cent gross on the total capital and surplus applicable to the stockholders of the parent company. We recognise, too, that the distribution to the equity stockholders should reflect the development of the business to such extent as the results and prudent policy allow. But while the trading results for the early months of the current year indicate that last year's improvement has been at least maintained, the major consideration is the Government's declared policy to decontrol cereals and feeding stuffs during the course of this year. This involves a number of factors the effect of which cannot be assessed at present and accordingly, although I look to the future with confidence, we consider that for the time being it is necessary to conserve our resources until there has been experience of working under the new conditions.

GOVERNMENT'S PROPOSALS FOR DECONTROL

The Government's proposals for decontrol are far reaching in their effect. Summarised very briefly they are designed—

(i) to enable the buying of wheat and course grains to be undertaken by trading interests in place of the Ministry of Food;

(ii) to afford freedom of grist to flour millers;

(iii) to remove any subsidy on flour and price control over flour and feeding stuffs;

(iv) to permit the manufacture of short-extraction—that is, white—flour subject to its conforming with certain nutritional standards, and

(v) to provide for the manufacture of such quantity of longer extraction flour as public demand may require. Bread made wholly from this flour would continue to be subsidised; other bread would not.

UNDERLYING PRINCIPLE WELCOMED

We welcome the underlying principle of this policy which would restore a very large measure of freedom of commercial operation to the industries concerned and freedom of choice to the public as regards the nature of the product which they wish to buy. For nearly fourteen years the milling industry has been compelled to work under the tightest form of restriction—technically, commercially and financially. There has been virtually no incentive to enterprise or initiative and the return has been inadequate in relation to the volume of business and capital employed.

But while the principle of decontrol is welcome, much still remains to be settled before the transition can be effected with any reasonable smoothness or equity to the trading interests concerned. Since these matters are at present the subject of negotiation with the Government I do not propose to review them here. Nevertheless, I feel it right to touch upon what is perhaps the principal problem from the standpoint of the milling industry, namely, the transfer from the Government to the millers of the risk involved in the carrying of stocks.

THE MAIN PROBLEM

To take wheat alone, its price is now about six times that at which it stood at the outbreak of war in September, 1939. Unlike most other commodities, it has not been subject to any fall in price, though some decline, and possibly a considerable one, appears inevitable at some stage. The whole of the benefit of the rise in price since 1939 has accrued to the Government as they requisitioned the industry's stocks at the outbreak of war and have effectively carried the risk on stocks since that time. No part of this benefit has been received by the industry. Moreover, since the margin of profit on flour has, under the control arrangements, been virtually frozen for most of the intervening period below the prewar level and only raised to that point in the last two years, there has been no opportunity to build up from that source adequate reserves against future stock losses.

I am sure that it is right in the national interest that the buying of grain should be undertaken by trading interests. It is also true that risk taking is inherent in free enterprise. Under normal conditions we should have no hesitation in accepting the legitimate risk associated with the carrying of the necessary stocks because the results of the previous fourteen years would have reflected the inflationary conditions of that period and we should also have been able to adapt and develop commercial machinery and methods for the minimising of the risk involved. But the conditions are far from normal and it is clear that it would be unreasonable for the industry to have to take over the risk at the peak level of a market which has shown a dramatic rise over the period of control without some measure of protection against a future fall.

WORKING CAPITAL NEEDS

It is appropriate that I should remark upon the working capital needed in the business. Although the risk of fluctuation in the value of stocks has lain with the Government during control, we have nevertheless had to find the capital required to carry working stocks of raw materials and finished products. The amount required for this purpose and for the financing of debtors has steadily risen as the Government have advanced prices to take account of the increasing costs of raw materials and production, and this has led to a reduction in our liquid balances.

The last increase in prices took place after January 31, 1953, and its effect on the working capital required is not, therefore, reflected in the balance sheet at that date. Some

further adjustment of prices may still be necessary to bring these to a true commercial level. It is too early to make any accurate forecast of the additional amount which may be required, but we are reasonably satisfied that we shall not have to obtain any further permanent capital for this purpose.

BOARD'S CONFIDENCE

After such a lengthy period of rigid control a reversion to full commercial operation on the milling side is bound to present a number of problems. I am convinced, however, that the management throughout the organisation will face these with all the effort and ingenuity necessary. We have continued our policy of keeping all our mills and factories in the highest state of efficiency and capable of producing products of the finest quality. This will enable us when control is lifted to enter the field of competition with confidence. Considerable progress has been made during the year in replacing capacity destroyed during the war, particularly in London and Hull. The recently rebuilt Millennium Mills at Victoria Dock, London, came into operation in January. Every modern device has been incorporated into this mill which, in our opinion, is the most up-to-date milling plant in the world. At Hull substantial progress towards the completion of the new mill has been made and we hope that it will come into production before the end of the summer.

The conservation of resources over many years has enabled us up till now to finance internally the requirements for increased working capital and those of the capital programme of modernisation and development. It is true that this has not yet produced an adequate return, but I hope that under freer conditions it will begin to bear fruit. The real anxiety is that to which I have referred concerning an equitable arrangement for protection against any heavy loss on the taking over of the Government's risk on stocks.

STAFF AND WORKPEOPLE

On your behalf, and that of the board, I should like to convey to the management, staff and workpeople of the parent and subsidiary companies how much we appreciate the efforts which they have made during the past year and their contribution to its results. I know that we can count on their wholehearted co-operation in meeting the transitional difficulties which lie ahead.

The report and accounts were adopted and a final dividend on the ordinary stock of 7½ per cent, less income tax, making 10 per cent for the year, was approved.

The retiring directors, Sir Archibald F. Forbes, Mr Humphrey B. Vernon, MC, Mr C. Paslew Rishworth and Mr Richard A. Twomey, were re-elected. In connection with the re-election of Sir Archibald Forbes the chairman made reference to his appointment as chairman of the Iron and Steel Board, which took place after the printing of the report and accounts. Sir Archibald's decision to accept that position had followed close consultation with his colleagues on the board, who were unanimous in their concurrence that he should do so. Sir Archibald's expert advice and assistance which his colleagues valued so highly would remain available.

The remuneration of the auditors, Messrs Impey Cudworth and Co. and Messrs Deloitte Plender Griffiths and Co., was fixed.

A special resolution was passed altering the articles of association with regard to the signing of stock certificates.

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

SUEZ CANAL COMPANY

TRADITIONAL POLICY OF INTERNATIONAL USEFULNESS

The annual general meeting of the Suez Canal Company was held on June 9th in Paris.

M. Francois Charles-Roux, the president, in the course of his speech, said: The financial year 1952 has not belied the favourable forecasts I made at your last annual general meeting. Your company's receipts for 1952 rose by a round figure of 720 million francs, and as expenses increased by 726 million francs—and this came as no surprise to us—the available profit comes out at approximately the same as for 1951. This is a figure which certainly gives no grounds for dissatisfaction.

It seemed to us that the close similarity between financial results called for similar proposals for distribution as regards both dividend and allotment to extraordinary reserve.

The information which has been given to you regarding the volume and composition of the traffic contains nothing to weaken confidence in the future, much the contrary, provided that peace, on which naturally the economic future of the world depends, is maintained.

It is no part of the annual report to predict the results of the current year, of which scarcely more than five months have elapsed, but the results of these five months show a slight increase in receipts.

Your company, being responsible for an international public service of primary importance, owes it to those who make use of that service to place at their disposal a waterway kept in perfect condition, constantly adapted to the latest requirements of shipping and to developments in shipbuilding; provided with up-to-date and perfected equipment and, lastly, affording speedy and regular passage under the best possible conditions.

These are the reasons why you do not find your company putting forward the plea of advancing years to avoid embarking on necessary works, or making useful purchases, or facing financial sacrifices to maintain its personnel on the high standard of efficiency which has always proved its worth.

Your company is rewarded by the confidence placed in it by shipowners and the high reputation it enjoys amongst them. A confidence and reputation in which your company quite rightly sees the most valuable component of its strength. You will certainly approve that your company should persevere along this path where its conscientiousness and competence have met with general appreciation.

Another guiding principle of the policy traditionally pursued by your company is to be useful and of service to Egypt. It is, I believe, to the services rendered by your company to Egypt that the lasting nature of its trustful relations with the Egyptian Government is due. A long tradition, older even that the opening of the Canal to shipping, carries these relations over, so to speak, at the close of every reign and government. We were given a further proof of this continuation of good relations after General Neguib came into power and at the dawn of the far-reaching revolution embarked on under his leadership.

DIRECTORS' REPORT

The following are extracts from the directors' report: The disturbing events which took place in the Isthmus of Suez during the winter of 1951-52 and which at times could not but cause serious interference with the smooth working of the Canal, did not last more than a few months, so that the Canal services and the living conditions of the staff returned to normal from the first quarter of the year under review.

The year 1952 has been marked by further progress in traffic both of ships and of cargoes.

The former, with 12,168 transits and a net aggregate of 86,137,000 tons, shows an increase of 7.2 per cent as compared with the previous year. Approximately 90 per cent of this increase is accounted for by tanker traffic. Cargo traffic reveals a new record figure of 83,448,000 tons weight, an advance of 8.7 per cent over 1951. Southbound cargo traffic, reaching 22 million tons, accounts for two-thirds of the overall improvement, with an increase of 4,581,000 tons, due almost entirely to the new southward flow of petroleum.

Northbound cargo traffic reached a new record figure of 61,447,000 tons, showing an increase of 3.6 per cent. This progress is due entirely to shipments of petroleum, whilst the traffic in other commodities, sluggish throughout the first nine months, shows a drop of 5.7 per cent as compared with 1951.

Total receipts in 1952 amounted to 28,379,481,562 francs, an increase of 745,857,756 francs, while expenditure, at 13,542,892,209 francs, rose by 726,438,407 francs. After deducting interest on and redemption of capital, and expenditure in respect of past financial periods, the surplus comes out at 13,651,097,228 francs. Transit receipts have improved by 2 per cent in spite of the reduction in dues which became effective on September 15, 1951.

Social charges have been reduced by 1,196,763,868 francs, or 26 per cent from one year to the other.

Working expenses increased by 1,925,497,886 francs, that is to say 23 per cent.

Interest on and redemption of share capital, which amounted to 1,152,620,691 francs, shows scarcely any change from one year to the other.

To the surplus of 13,651,097,228 francs is to be added 81,248,647 francs brought forward from the previous year so that the total sum, on the distribution of which you will have to decide, amounts to 13,732,345,875 francs.

We propose that the following amounts be deducted from this sum for the endowment of the various reserve funds: depreciation and renewal of plant 1,200 million francs, an increase of 300 million francs on last year, in view of the important purchases in progress; depreciation of buildings 100 million francs as against 300 million last year.

We propose the allotment of a sum of 200 million francs to the insurance and contingency fund and finally, as last year, 2,000 million francs to extraordinary reserve, your company's total reserves not having yet reached, in the opinion of your board, a level in keeping with the magnitude of its transactions.

After these various allotments, a sum of Frs. 10,232,345,875 will remain available.

The distribution proposed to you amounting to Frs. 10,140,845,070 would leave a balance of Frs. 91,500,805 which we again invite you to carry forward.

The proposed distribution would correspond to a gross dividend of Frs. 9,000, to which will be added, in the case of capital shares, the statutory interest for 1952 amounting to Frs. 1,429.

The full report, in French, will be sent on application to the company at 6, Bishopsgate, London, E.C.2.

STEEL BROTHERS AND COMPANY

DIFFICULT TRADING CONDITIONS

MR J. K. MICHIE REVIEWS WORLD-WIDE ACTIVITIES

The sixty-second annual general meeting of Steel Brothers and Company, Limited, was held on June 19th at the offices of the company, 24-28, Lombard Street, E.C.3, Mr J. K. Michie (chairman and managing director) presiding.

The secretary (Mr E. A. H. John, FCIS) read the notice convening the meeting and the report of the auditors.

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

The accounts for the year 1952 in so far as trading results are concerned are even more disappointing than I expected when writing my last report, but fortunately other sources of revenue, together with the provision for possible losses on stocks made ex 1951 profits, have to some extent restored the situation and we are left with a profit available for distribution of £139,825 as compared with £238,475 a year ago.

Due to lack of purchasing power in certain consuming countries rather than to dear stocks, trading remained very difficult throughout the year and at December 31, 1952, in many cases stocks had to be written down to well below replacing costs.

As usual I give below a short review of our main activities under geographical headings. During the past winter I was able to visit our branches in Pakistan, India, Burma, Siam, Hongkong and Ceylon, roughly in that order, and so was able to appreciate at first hand the problems set our local managements by the varying monetary conditions and policies with their corollaries of import and export restrictions, government monopolies and/or marketing boards and such like which the different governments decide from time to time are either essential to meet their economic difficulties or are in their best interests as free and independent nations.

BURMA

Burma continues to prosper in a monetary sense by reason of the very high prices being realised for her rice surplus, but there are signs that her policy of doling out supplies on a scarcity basis has its dangers. There is insufficient storage to carry the stocks now being held and the monsoon waits for no man.

We have every sympathy with Burma's attempt to get the best possible prices for her rice, especially in view of her well-known internal difficulties—sporadic attacks by insurgents on towns and railways and water transport and the new menace of the Kuo Min Tang's, all of which are very costly directly and more costly indirectly, causing as they do a heavy drop in production of Burma's valuable exports. Nevertheless, I think it would have been in Burma's best interests to have followed the well-known system of selling the bulk of the rice crop for shipment in the early months of the year, so ensuring the condition of the rice on arrival at destination. Where there is dubiety about quality there is bound to be resistance to price and this is becoming evident in many rice-consuming countries.

Last year our rice business was again largely confined to agencies for Colonial governments, and although this year controls will be removed from imports of rice and all rice products into the United Kingdom, so far we see no firm prospect of doing business from Burma on any large scale, largely for the reasons I have named. We have no rice mills at work in Burma or in a condition to operate.

Timber business in Burma is increasingly being done through the State Marketing Board, while supplies of teak are running at about 20 per cent of prewar level.

Cotton is another export which is now being channelled through a government-sponsored agency and we invariably find this method means a restriction of our business.

In common with other markets, Burma was a poor one for imported goods last year, textiles in particular, but this year probably partly due to a considerable building programme financed by government the volume of business has markedly increased. One of our two main rubber estates still remains in the hands of an insurgent group.

The negotiations by the mineral oil-producing companies for a joint venture with government have not advanced materially during the past year, although we understand the intentions of government are unchanged; the same remark applies to the government's negotiations for a share in the Burma Cement Company, Limited, whose plant worked steadily throughout the year.

Our subsidiary, Strand Hotels, Limited, again had a successful year and its increased accommodation is being fully used.

INDIA AND PAKISTAN

1952 was a very difficult trading period, particularly in jute goods, which suffered heavy falls in price. Some recovery has since happened and with it a return of confidence in price levels.

Our managing and selling agencies for the Indo-Burma Petroleum Company, Limited, and Assam Sillimanite, Limited, and our food procurement agency for the Indian Tea Association represent our principal activities in India and their turnover was maintained. We expect a diminution in the volume of procurement for tea this year, due to easier food conditions locally.

During the year there was a steady decline in purchasing power in Pakistan with a consequential fall in prices to levels well below either costs or replacing costs and a severe drop in turnover. These factors coupled with liabilities in respect of staff and overheads, which nowadays cannot be adjusted at will, resulted in considerable losses. The reduction in turnover continues, but price levels have risen because of a drastic reduction in imports necessitated by the economic situation of the country. We hope to get our due share of the available import licences based on our past performance.

HONGKONG

As expected, the world situation caused a severe drop in the volume of the trade of the colony, particularly her intrepôt business. The Uno policy of restricting trade with China has also affected Hongkong considerably and until the Korean situation is cleared this restriction will continue. At the moment our turnover is much curtailed and prospects are obscure, but Hongkong has great resilience.

JAPAN

World conditions also affected this part of our business adversely.

SIAM

Siam is a country which on the basis of her rice sales should be prosperous and a good market, but it does not seem to work out that way and our trading departments had a difficult year.

The Siam Rice Agency, Limited, in which we are a partner, continues its work on behalf of Colonial governments.

CEYLON

Our subsidiary, Messrs E. B. Creasey and Company, Limited, had in the circumstances a satisfactory year, but in common with many other countries Ceylon found she had overspent her income and is now going through a period of adjustment.

MIDDLE EAST

Our associate company, Messrs Spinney's (1948), Limited, have extended their activities to Aden and generally their operations are yielding good results. We have, through the medium of Messrs Spinney's (1948), Limited, extended our interests in Iraq by acquiring a large part of the capital of Messrs W. J. Coker and Company, Limited, and by taking a substantial interest in a new company named Rafidain Developments Limited.

Both companies hold valuable agencies which should do well in this age of development in Iraq and the Middle East generally.

We expect soon to benefit through dividends from these increased activities.

EAST AFRICA

Messrs A. Baumann and Company, Limited, had a successful year and our interest in the company has been slightly increased.

Our timber company in Tanganyika, I am glad to say, is now earning profits and we hope will soon make a positive contribution to our revenues.

BRITISH GUIANA

Although still in the development stage, British Guiana Timbers, Limited, progresses steadily towards its objective.

CANADA

Towards the end of 1952 we acquired an 80 per cent interest in a lime-producing company in Alberta which had not been fully developed, known as Loders Lime Company, Limited. With the installation of certain additional machinery output will be very much increased and we are very hopeful that our initial venture into Canada will prove a success.

UNITED KINGDOM

Messrs Carbutt and Company (1928), Limited, had a satisfactory year. Recently the rice trade to and in this country was freed from control as from July 31st, but the prospect of taking over at a time when prices are an "all-time high" and out of line with other cereals is not a particularly encouraging one.

Mactaggart and Evans, Limited, I regret, again made a loss, but the volume of work is expanding.

Oil prospecting in Lancashire.—We started drilling at Croxteth in April last and as I write are approaching a depth of 2,500 feet. The interesting strata we expect a little lower down.

PROSPECTS FOR 1953

Prospects for this year are governed by many imponderables largely out of our control, but although trading is going to be difficult and margins small, we welcome the slow but steady movement in this country towards freeing trade and commodity markets. Unfortunately there is not yet discernible a complementary tendency in certain countries of origin without which it is going to be very difficult to give the service and standards of quality for which London markets stood in the past. It is to be hoped that even if through force of circumstances things will move that way.

I look forward to a moderately successful year.

STAFF

We continue to be indebted to a loyal and enthusiastic staff which now operates in seventeen different countries. It is a pleasure to thank them once again for a fine year's work.

The report and accounts were adopted and the dividends, as recommended, were approved.

The retiring directors, Mr J. K. Michie and Mr P. G. G. Salkeld, CBE, were re-elected and the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths and Company, having been fixed, the proceedings terminated.

BLEACHERS' ASSOCIATION LIMITED

RECESSION AFFECTS PROFITS

NECESSITY FOR INCREASED EXPORTS

MR P. L. WRIGHT'S STATEMENT

The annual general meeting of Bleachers' Association Limited, will be held on Friday, July 17, 1953, at Blackfriars House, Parsonage, Manchester.

The following is the statement by the chairman, Mr P. L. Wright, which has been circulated with the report and accounts for the year ended March 31, 1953:

I hope that stockholders will welcome our decision to issue this statement with the accounts. In the past the chairman's review of the financial and trading position has been made at the annual general meeting, some four weeks after the accounts were sent out. The result was that stockholders were not able to read the review as and when they received the figures. I think that the practice we have adopted has much to commend it.

TRADING RESULTS AND APPROPRIATIONS

The association's profits for the year, before providing for taxation, amount to £456,000, compared with £1,046,000 in the previous year. Income tax and profits tax, based on the lower profits, amount to £321,000 less than a year ago. The provision made in the previous year for excess profits levy, amounting to £30,000, has been brought back to credit, since the association's "standard profits" for EPL exceed the aggregate chargeable profits. In accordance with our policy of spreading initial allowances over subsequent years, £10,000 has been brought back to the credit of profit and loss account this year, as against a debit of £31,000 in the previous year. After making these adjustments for taxation, the net profit for the year amounts to £222,959, which compares with £390,244 in 1951-52.

Arising from a settlement of our taxation liabilities up to 1949 we have brought back to profit and loss account £100,000 in respect of provisions made for earlier years but now no longer required, as we still have adequate provision to cover all our liabilities for taxation which have arisen since that date. After adding this figure of £100,000 to the net profit earned during the year and the balance brought forward from the previous year, there is a balance available for appropriation of £510,005.

You will see that the board have appropriated £50,000 to investments contingency fund, £50,000 to contingencies fund, and £100,000 to fixed assets replacement fund. We propose payment of the dividend on the preference stock and the same rate of distribution on the ordinary stock as last year—namely, 6 per cent. These preference and ordinary dividends will absorb £136,545 net, leaving £173,460 to be carried forward to the credit of profit and loss account.

BALANCE SHEET

The balance sheet this year is presented in a revised form, items having been regrouped with the object of presenting more clearly to stockholders the financial position of the company.

It will be seen that current assets at £3,474,000 are £370,000 less than they were a year ago, mainly due to a reduction of £216,000 in advances to subsidiary companies reflecting the lower stocks held by those companies. Sundry debtors are reduced by £214,000 following settlement by the insurance companies of the association's claim in respect of the fire at River Etherow Bleaching Company in October, 1951. Current liabilities and provisions at £494,000 are down by £287,000 due to lower creditors, the reduction in provision for taxation, and the transfer of £100,000 to profit and loss account to which I have already referred. Net current assets at £2,980,000 are some £83,000 less than last year.

At the date of the balance sheet the market value of quoted investments held by the Association was £64,000 below cost. There is a specific reserve of £53,029 in the investments contingency fund, and we consider that this is sufficient cover in view of the fact that the market value has increased since the date of the accounts.

Trade investments at £461,221 have been reduced by a transfer of £100,000 from investments contingency fund, representing the estimated loss on the closing down of an associated company engaged in a specialised type of work for which demand has fallen away.

During the year capital expenditure on fixed assets amounted to £213,000. After deducting the proceeds of sales and depreciation provided during the year, the figure of £5,393,430 which shows in the balance sheet is some £41,000 less than it was a year ago.

Revenue reserves and undistributed profits have risen by £76,000. This is after deducting £100,000 from investments contingency fund, to which I have already referred.

There is little else in the association's accounts which calls for particular emphasis.

The group accounts as you will see are now set down side by side with the parent company's accounts and do not call for special comment. The group profit and loss account closely resembles that of the association, the balance of profits retained in the consolidated subsidiary companies accounts amounting to £98,000.

TAXATION

Taxation continues to take its toll and even without any liability for EPL amounts to 60 per cent of our net profit. In the case of profits tax, the inclusion of cumulative preference dividends in the definition of distributed profit is particularly inequitable and bears heavily on companies whose financial structure was formed before the coming into force of the profits tax legislation. However, it is encouraging that the Chancellor in his recent budget has taken some steps to lighten the burden of taxation which has been drying up the sources of expansion and modernisation of buildings and plant. Applied to individuals and coupled with the rising trend of prices, it has almost killed personal saving. I suggest that one important way of obtaining increased productivity is to keep alive the hope that taxation will be further eased before long.

TRADING CONDITIONS

When I addressed you last year I said that the first three months of the year with which we are now dealing showed a considerable decline in our turnover and that we expected the fall to be even more severe in the following quarter, after which we might look for a subdued revival. And so it has turned out. The trade recession was maintained during the first half of the year under review and our profits dropped to a very low level. In the second half of the year, however, the volume of cloth we received for finishing showed a marked improvement, so that our results for the whole year are not altogether unsatisfactory when considered in the context of the most difficult trading conditions which the whole cotton trade has experienced.

The revival of demand experienced in the latter half of the year was mainly due to increased sales in the home market, while export business remained throughout at a low ebb. The import restrictions and controls imposed by so many of the markets which in more normal times took large quantities of bleached goods have proved a most formidable obstacle and in such cases the lowest prices and the shortest delivery terms do not count. In this matter of exports one gets the impression that the Government do not attach the same importance to the textile industry as they do to certain other trades, and there is, I think, increasing disquietude that the just claims of the industry have been so little pressed in recent trade agreements. A further matter in this connection which gives rise to some anxiety is the effect on the future of our industry of the bilateral trade agreements which are now influencing a large volume of trade in several parts of the world. When nations who have for long years been traditional customers feel that they must have recourse to barter as a mode of trading it would seem that this country will require to give some attention to the development despite the undesirable features connected with it.

Reduced output, such as we have experienced, necessarily tends to raise unit costs and it is our constant endeavour to find ways and means of increasing our productive efficiency and so minimise our costs, without impairing the earnings or the standard of living of our workpeople, and without impairing our quality of work. This question of productive efficiency is a matter of high national policy, but apart from its national importance it has a special significance for those of us who are in the textile trade, because of the competition to which we are exposed from low paid foreign labour. It is this which has been largely responsible for the loss of so much of our export trade in the past, and it is this which we shall have to face again in the future. We are, however, a service industry operating on cloth which we do not own. For that reason we cannot regulate production in accordance with a predetermined sales policy.

RESEARCH AND DEVELOPMENT

We continue, through our Research and Development Section, to keep abreast of the latest technical advances in the treatment of all types of fabric, and constantly to explore new methods and processes. Much of our fundamental research is long term and therefore of necessity not spectacular. We are, however, deriving much benefit from what has been done in the past few years. By paying especial attention to the works-scale application of laboratory work, we hope further to profit from this indispensable part of our organisation. Particularly, too, are we concerned with the mechanics of finishing. A part of this section is devoted to the study of new types of machinery directed towards the modification and improvement of existing plants. Any simplification of the chain of mechanical procedure must lead us towards higher productivity, and we are encouraged by what has already been achieved to follow up this work most assiduously. You will perhaps have noticed in the press some references to our activities in the field of mechanical manipulation of textile and other sheet materials. What was shown at the British Industries Fair of this year could only cover very briefly the beginning of a new series of "mechanical finishes" which aroused not only enthusiastic interest, but also encouraging forecasts.

THE OUTLOOK

We, in company with the rest of the cotton industry, have enjoyed a good degree of recovery from the recession which reached its worst point for us in the summer of last year. To say, however, that we can see our way ahead with confidence to the prosperity of 1951 would be to flatter the achievements of the last six months. Far too small a part has been played by the export trade and, to that extent, the recovery has only been partial. The future, as ever, is uncertain, but it would seem that any hopes of substantial progress during the current year must depend very largely on some relaxation of the restrictions imposed on textiles by countries overseas. Meanwhile stockholders can be assured that our plant is being maintained in a high state of efficiency and is in a position to obtain the maximum benefit from any increase in the volume of trade.

TRIBUTE TO STAFF

As regards our staff and our workpeople we continue to receive from them the loyal and never-failing co-operation to which we have long been accustomed. The past year has involved for some of them a measure of unemployment and for others extra efforts. Far from becoming downhearted, all have responded gallantly and no words of mine can convey to them the extent to which their labours are valued and appreciated.

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

RECORD TURNOVER AND EXPORTS

MR J. ROGERS ON THREAT OF NATIONALISATION

The twenty-sixth annual general meeting of Imperial Chemical Industries, Limited, was held on June 18th in London.

Mr J. Rogers, OBE, LLD, chairman of the company, in the course of his speech said:

Your directors remain alive to the importance of adapting the company's operations and organisation to meet changing conditions. Perhaps I may be allowed to dwell a little longer on this aspect of our affairs.

Your company's activities range widely over the chemical field and indeed are not confined to that field, embracing as they do, for example, non-ferrous metals, "Lightning" fasteners, paints, leathercloth, and some semi-fabricated plastic materials. Its products are numbered in thousands and they are supplied to many industries. The organisational problems that confront your company are therefore much more complex than those experienced by undertakings concerned with the manufacture of one or two main products. Your company's research and development work is directed towards improving its existing manufacturing processes, developing new processes, developing new uses for its existing products, and to discovering new products and creating markets for them. On this work of research and development we are now spending at the rate of about £7,500,000 a year. Today we are making many products which were unknown before the war, and some of our methods of producing our older and more traditional products are very different and much more efficient than they were before the war. We can expect our new products to contribute an increasing proportion of the company's profits.

This process of change and development must go on if the company is to remain vigorous and prosperous, for the chemical industry still has great possibilities for expansion, and in expanding, it can contribute much to the national economy. Such expansion calls for more, not less, research and development and this work must be well inspired and well led. Not every research results in a new product or a better process, and it may take seven to ten years or even longer to pass from the first research result to commercial production.

Your company manufactures in many overseas countries, in most cases in association with nationals of the countries concerned; and, as our annual reports have clearly shown, our export trade is world wide. Its overseas interests are comparable in size and importance with the interests it has in the United Kingdom and are even more complex.

PLANTS AT HIGH EFFICIENCY

Here at home your company has maintained all its productive plants at a high level of technical efficiency, and we are constantly striving to improve our manufacturing processes. We are in the forefront in the study and application of modern methods of increasing productivity, and we are now giving our knowledge and experience in this field freely to British industry in general.

The steadily improving efficiency of your company's operations means lower costs of production, and these lower costs are reflected in the selling prices of our products. We have had to advance the selling prices of many of our products in recent years because of increasing costs of raw materials and rising wages and salaries, but we have been able to offset these cost increases to a considerable extent by savings resulting from improved methods and increased efficiency. As a result, our prices are, in general, lower than those ruling in America and in Europe.

You will remember that four years ago Lord McGowan told you that the whole board of ICI took the view that your company is not an appropriate subject for nationalisation. That remains the view of your board today, in whatever form State ownership is suggested. Lord McGowan also said that the board would take all proper steps to oppose the nationalisation of your company if the attempt were ever made. Let me renew that assurance. You will, I am sure, agree that it would be contrary not only to the interests of the stockholders and of those employed by your company but also to the interests of the country as a whole for ICI to come under any form of state ownership.

CHALLENGE TO BRITAIN

I have just read the Labour party's pamphlet called "Challenge to Britain." There is nothing in that document to cause me to change my view that any form of state ownership would be extremely detrimental.

The main reason given in the pamphlet for this programme of public ownership is that chemical production must expand to keep pace with the enlarged requirements of other basic industries. Of course chemical production must expand, and this is exactly what has taken place in the industry as a result of the enterprise shown by those in it. My speech today emphasises the expansionist policy which ICI has consistently pursued. ICI is meeting every demand for chemical materials made upon it in the United Kingdom, and the average level of prices is lower than that in the USA and Europe. In addition its exports have increased very substantially in volume and in value since the war and are now running at over £1 million per week. I can say without qualification that no company has a finer record of expansion and enterprise.

Why, then, should public ownership be suggested as a safeguard against possible shortages, which do not exist, and which will never occur, if private enterprise is permitted to go ahead? Surely the experience of the state-owned industries is convincing evidence that whatever else may be said about state ownership it is no guarantee that production will keep pace with increasing demand. I can only hope that those responsible for "Challenge to Britain" will give the whole subject further factual study and that in the long run wiser counsels will prevail.

TERYLENE

The plant to manufacture "Terylene" at Wilton on a large scale is planned to be in operation by the end of next year. The new articles of "Terylene" clothing which you may occasionally see in certain shops are made from "Terylene" produced at a small pilot plant at Hillhouse. After the most careful assessment of market requirements we are already putting in hand plans for a

large extension of the Wilton plant, even though the first unit of that plant is not yet in production. This is a good illustration of the point which I made earlier that an increasing proportion of the company's productive efforts is being devoted to products which were unknown before the war.

As already publicly announced, we have decided to manufacture "Terylene" in Canada as well. Pending settlement of plans arising out of the Anti-Trust case for the segregation from duPonts of our interests in Canadian Industries Limited, we have incorporated a new subsidiary, Imperial Chemical Industries of Canada, Limited, wholly owned by ICI, and this new company is going straight ahead with the purchase of land and the erection upon it of a plant to manufacture "Terylene." In this way we are taking time by the forelock and not awaiting the outcome of the protracted legal proceedings in the United States. After the proposed segregation, it is intended to offer this project to that successor company of CIL in which ICI will be the principal shareholder and in which Canadians will participate as shareholders. This procedure is in accordance with ICI's policy of regarding the successor company as the normal medium for developing manufacting projects in Canada.

Improvements in methods of producing our existing products and the reduction of costs go hand in hand with the development of new products. Your directors are also very conscious of the need to keep down the level of overhead expenditure. Special attention is being given to expenditure on central services, which is being kept to a minimum consistent with efficiency and progress.

CHAIRMAN'S RETIREMENT

I should like to finish on a personal note. This is the last occasion upon which I shall occupy this Chair. As announced to the Press immediately after the board meeting on May 15th, I am retiring both from the chair and from the board at the end of this month. I have been a director of this company since its formation twenty-seven years ago and my association with Nobels, one of the constituent companies which were merged on the formation of ICI, goes back to the beginning of the century. May I take this opportunity of thanking my colleagues for all their help, their kindness and their co-operation during my long association with them and particularly for their support since I took over the chairmanship from Lord McGowan two and a half years ago. You can be sure my successor, Dr Fleck, will be given similar support.

The report and accounts were adopted.

THE ARGUS PRESS HOLDINGS

CONTINUING POPULARITY OF PUBLICATIONS

The twenty-fourth ordinary general meeting of The Argus Press Holdings Limited was held on June 24th in London.

Mr H. C. Drayton, the chairman, in the course of his speech, said: The group profit for the year amounted to £189,100 as against £179,000 last year. After deducting expenses, directors' fees and taxation, we have £64,000 available, and if you pass the recommendation of your directors that an ordinary dividend of 17½ per cent should be paid for the year, we shall carry forward £211,400, as against £187,600 brought in.

We have in the past year, and the beginning of this year, had to face increased competition from the daily newspapers with their increased size, and this is having an effect upon our advertising revenue. We also this year have got to face another increase in wages on July 1st.

On our printing side we are meeting with more competition, and prices have become keener and more competitive. I am pleased to say that our publications are continuing to hold the favourable position they have won for themselves, and the circulation of our new periodicals—*Photoplay* and *Competitors' Journal*—continues to increase. Our printing works at Crystal Palace have continued to expand. I think you can look forward with quiet confidence to increasing profit from that source over the next two years.

Since the close of the year we have made an offer to acquire the whole of the share capital of Messrs Kelly and Kelly (Printers). Should this materialise, it will fit in with our present printing department and should make for more efficiency and a more economic basis.

As regards the prospects for the current year, we can give you some indication of what the prospects are likely to be. Up to date this year our profits are down. I think, as far as I can guide you, they will still be down at December 31, 1953, but not to any material extent or such that need unduly worry you.

The report was adopted.

MILFORD STEAM TRAWLING

The annual general meeting of Milford Steam Trawling Company, Limited, was held on June 23rd in London, Mr J. M. Whittington (the chairman) presiding.

The following is an extract from his circulated statement:

The results are most disappointing after we had been in sight of recovery last year. There is a loss of £16,881, an amount almost equal to the provision for depreciation (and we have no profits on sale of vessels this year against £17,778 last year). It is some small comfort that earnings have met outgoings in cash and the values at which our trawlers stand in the books are moderate.

The Fishing Situation.—Last year we were able to obtain a greater number of days at sea from our fleet and for this reason were able to hold our costs of operation per day at virtually the same level. But catches per day at sea were less and so the cost per lb caught rose. In other words it took more trawling to catch a given quantity of fish, although that trawling was more economically performed. In addition the average price received for our fish declined from 81s. 2d. to 74s. 2d. per cwt., a drop of 8¼ per cent: had the price remained the same, results would not have been far off last year.

It may be of interest to mention the general figures for England and Wales: the total quantity caught declined by about 1¼ per cent and the average value by 5 per cent from 5.7d. per lb last year to 5.4d. per lb this year. These figures do not sound much but they mean there was more than £2 million less to pay for running the fishing fleet. The total landings for all Great Britain amounted to 15.2 million cwt of a value of £38.9 million. The consumption of fish per head which rose from 28 lb to 30.9 lb last year fell away again to 29.9 lb; the prewar figure was 32.8 lb.

We can fairly claim that in the one department over which management has some control, namely the daily cost of operation, we have done reasonably well: the daily catch and the prices received are matters very largely beyond the control even of the most prudent management.

The report was adopted.

JOHN BRIGHT AND BROTHERS, LIMITED

SATISFACTORY PROFIT

The thirtieth annual general meeting of John Bright and Brothers, Limited, was held on June 24th in London.

Dr E. P. Andreae, chairman, in the course of his speech, said: Your company's accounts covering the twelve months to March 31st last show a net profit of £475,626, against £454,998 for the previous year. The increase of £20,628 arises mainly from the reduced provision required for taxation. On the other hand, the trading profit at £1,276,076, though highly satisfactory, is less by £115,541 than the corresponding figure for the previous year, which I then described as a record unlikely to be equalled in present circumstances.

In fact, unfortunately, we experienced a very marked recession during the second half of the year under review, more particularly in the tyre section of our business, though all departments suffered an appreciable decline in volume of business transacted. The effect of this setback was accentuated by a general fall in profit margins. Although, I am glad to say, the volume of business has improved and is still improving at the present time, the reduced profit margins are, I believe, a sign of the times, and can only be offset by a reduction in costs.

TRADING CONDITIONS

Our spinning mills have benefited from the new method of buying cotton as a result of "contracting out," and have been supplying the coarser types of yarn required by the manufacturing department on a satisfactory level throughout the year.

The Cord Fabric Section suffered from a severe setback during the second half of the year. This section of our business supplies a trade which is rather prone to fluctuations, sometimes unpleasantly violent, but they are, of course, of a temporary nature, and we can stand up to them. I am happy to be able to tell you that since March a steady improvement has taken place, and today, whilst not back to our figures of a year ago, this department is nevertheless running on a very satisfactory basis.

BELTING DUCKS

Sales of belting ducks were on a much reduced scale in the latter part of the year, and, at the present moment, there is little sign of improvement, but taking the longer view, I am confident that when stocks in the hands of our customers are back to normal, we may look forward to a steadier demand on a higher level.

Rayon.—It may interest you to know that, in the manufacture of tyre fabrics today high tenacity rayon has almost entirely replaced cotton. There is also evidence of increasing interest in the use of synthetic fibres in other sections of our business. These trends receive the closest attention of our expert technical staff, and are the subject of much experimental work. Whilst our sympathies naturally lean towards cotton, we are always ready to adapt our plant for the purpose of trying out new methods.

As to the future, your directors' report has already indicated that the present accounts do not fully reflect the results of the recession experienced. It follows that the earlier months of the current year have suffered their proportion of the reduced profits. It remains to be seen, therefore, whether the present improved volume of trade, if maintained, will be sufficient to counteract the effects of the depression before the end of the year.

The report and accounts were adopted.

TELEPHONE RENTALS LIMITED

ANOTHER SUCCESSFUL YEAR

HAMPERING EFFECT OF DELAYED CIC DECISION

PERSISTENT EFFORTS FOR CAPITAL ISSUE REWARDED

MR FRED T. JACKSON ON THE CONTINUED PROSPERITY

The twenty-fourth annual general meeting of Telephone Rentals, Limited, was held on June 22nd at the Caxton Hall, Westminster, London, S.W.1, Mr Fred T. Jackson, OBE, CompIEE (chairman and joint managing director), presiding.

The secretary (Mr G. H. Field) read the notice convening the meeting and the report of the auditors.

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

I am glad to be able to report that once more we have had a very successful year, and the forecast I made at our last general meeting of the profits for the year 1952 has been exceeded.

You will have seen by the accounts which have been circulated that the profit for the year ended December 31, 1952, amounted to £616,886, after charging £58,144 for employees' participation scheme. This shows an increase in gross profit of £151,303 over the year ended December 31, 1951. I am sure you will agree that this is most satisfactory.

The result achieved was in spite of the difficulties we had to surmount during the past year, which necessitated some restrictions on taking new business; nevertheless, we succeeded in increasing our annual rental by £157,131.

As you know, the nature of your company's business is such that it requires additional capital from time to time. The amount we can afford to spend out of our liquid resources on new installations is dependent on the margin left after meeting taxation and dividends to shareholders.

Taxation is a very serious item. You will see from the accounts before you that for the year under review we have to provide £405,282, which represents a £144,183 increase over the amount we had to provide for the year ended December 31, 1951. It is of interest that excess profits levy calls for £74,000 and profits tax £48,000.

With taxation at its present level, it is a matter for serious consideration by your directors as to whether it is worth while continuing to develop the business, in view of the difficulty of finding the liquid funds to meet the tax liabilities. We can now take into consideration the statement of the Chancellor that the excess profits levy will be abolished at the end of 1953, but nevertheless our liability for this tax in respect of the current year will be a very considerable sum. We therefore feel that we should exercise prudence and still restrict our activities to a certain extent, so that in 1954 we should be in a position to go ahead with the further development of the business.

You will observe from the accounts before you that we have tax reserve certificates amounting to £100,000. During the current year we have purchased further certificates to the value of £150,000; therefore, as far as we can judge, with restrictions on new business, we shall be able to meet our tax liabilities during the current year comfortably. The issue of 880,000 shares in December last has, of course, eased the financial position considerably.

It has always been the aim of your directors to build up the financial strength of your company, and I think that up to the present time this policy has been successful, inasmuch as the profit-earning capacity and the dividend record over many years past has been such that would merit your company's shares being designated one of the "Blue Chips" investments in Industrials.

BONUS ISSUE OF SHARES

At an extraordinary general meeting held on May 6, 1953, authorisation was given for the capitalisation of part of the share premium account by the issue of 1,120,000 fully paid ordinary shares of 5s. each in the proportion of one share for every 4,714 shares held, and these shares will rank for the final dividend for the current year under review.

This continues the policy initiated in 1951, when a bonus issue of one in ten was made, and although I am unable to prophesy that further bonus distributions will be made, it is reasonable to expect that there will be further distributions in the future, if the company continues to expand as satisfactorily as it has done in the past.

EMPLOYEES' PARTICIPATION SCHEME

Now I would like to refer to our employees' participation in profits scheme.

Recently there has been some comment at the hands of a few shareholders of the effect upon their interests by reason of the employees' participation scheme. This scheme was inaugurated in 1946 with the object of giving an added sense of partnership in the undertaking by ensuring that employees (subject to the necessary qualifications) should have a share in the profits which their efforts have helped to create. Reference thereto has been made by me from time to time in my statement which annually accompanies the accounts.

Because of the comment referred to above, your directors were of the opinion that it would be wise to have an investigation made into the scheme, and I am glad to be able to inform you that an investigation made by our own auditors has fully vindicated the directors' opinion of the scheme that it is in the interests of the shareholders and of the employees. In their investigation our auditors took into consideration all its future implications, and a full report was received from them on March 9th last. It is, I think, sufficient to epitomise their findings as follows:

The scheme, which has the merit of simplicity and easy application, has undoubtedly given a sense of co-partnership, has generated an excellent feeling of good will, and been productive of greater operative efficiency and economy, with better profit results.

The proportion of annual profit, before taxes, allocated to the scheme participants averages 10.2 per cent of such profit during the years 1946 to 1951, which cannot be regarded as a high proportion of the profits and would seem to warrant but little criticism. The increase in the amount allocated to the scheme from £21,332 gross in 1946 to £58,144 gross in 1952 is not due, in the main, to an increase in the individual participants, but to the largely increased number of participants admitted to the scheme.

The effect of inflation in relation to the background of the company's future business structure has been considered in its bearing on the scheme, and it is concluded that it would not have any penal effect, and even if it had, the company has reserved the right to amend or vary the scheme conditions.

Subject to certain suggestions contained in the report (which are recognised and have, to some extent, already been implemented), the conclusion formed is that the employees' participation scheme should continue in its present form and, in doing so, the company will not attract to itself a burden of distribution thereunder to the undue detriment of the holders of the ordinary share capital.

It is recommended that a full review of the scheme should be made periodically to ascertain its effect upon the company in the light of our changed circumstances.

SUBSIDIARY COMPANIES

The company's main operating subsidiary in South Africa has had a most successful year and is now making substantial profits. We have therefore taken the opportunity of writing off the goodwill of £16,961 which appeared in that company's balance sheet.

All the other subsidiaries of your company traded at a profit in 1952.

ACCOUNTS

I will now refer to the accounts. These are quite clear and do not require much in the way of comment.

Profit and loss account: After making provision for taxation amounting to £405,282, the transfer to general reserve of £100,000, and the dividends on both ordinary and preference shares amounting to £85,350 net, which includes the final dividend in respect of the recent bonus issue, we are left with an unappropriated balance of £122,685 to be carried forward to the current year.

Balance sheet: Taking the capital reserves first, you will see that the share premium account has increased by £41,702 to £291,032, as a result of the share issue made in December, 1952. This account has since been reduced by £280,000 by the issue of the fully paid bonus shares referred to above, and will be reduced further by the costs of the issue, when known. The only other movement in the capital reserves has been to increase the surplus on realisation of capital assets by the sum of £2,056, as a result of company-owned houses having been sold.

Under revenue reserves you will see that the general reserve has been increased by a further £100,000, bringing the total up to £650,000, which, together with the contingencies reserve of £50,000, makes a total of £700,000.

Turning to the assets side of the balance sheet, the net value of the revenue-bearing installations is £2,430,373, which lent to just under 1.6 years'

Freehold and
£81,475 shown
with the

by the disposal of certain house properties.

Amounts due from subsidiary companies have increased by £43,341 to £318,766, which is almost equally divided between the South African and British subsidiaries, and represents their working capital.

Quoted investments at cost—£10,837—is principally made up of a holding in an Australian company which is quoted on the Sydney Stock Exchange at a premium, and in total these investments are worth considerably more than the value at which they appear in the balance sheet.

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The only material change in the consolidated accounts is the disappearance from the balance sheet of a figure against the item of goodwill. As already mentioned, we have taken the opportunity of writing off the sum of £16,961 in respect of one of our South African subsidiaries. This leaves a surplus of £15,759, which appears under the heading of "other capital reserves."

The net profit of the group before taxation is £667,068, compared with £495,751 for 1951. After providing for taxation, the transfer to reserve and dividends the balance of unappropriated profits carried forward and attributable to the holding company's shareholders amounts to £160,998.

In conclusion, I would like to say that the year 1952 for your company was one of the most difficult in its whole history. The restriction on bank loans, and the refusal of the CIC in the early part of the year to grant us permission to secure additional capital, brought our expansion programme to a halt, and seriously hampered our activities, and the fact that we ended the year with such excellent results reflects great credit, firstly, upon the staff of all ranks for the excellent way in which they rallied round the company and performed their work in very trying circumstances, and secondly, to the directors, who refused to accept the decision of the CIC and persisted in their efforts until the necessary sanction for a capital issue was given.

Although we are obliged to continue to work in a restricted field, nevertheless I look forward to the continued prosperity of your company in the current year.

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

The retiring director, Mr C. P. Heseltine, was re-elected, and the remuneration of the auditors, Messrs Chas. W. Rooke Lane and Company, having been fixed, the proceedings terminated.

METROPOLITAN RAILWAY SURPLUS LANDS

SIR BERNARD DOCKER'S STATEMENT

The twentieth annual general meeting of the Metropolitan Railway Surplus Lands Company, Limited, will be held on July 9th in London.

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

An increase in rents receivable is again the most important feature of the accounts. Net rents for the year to March 31, 1953, have increased by £24,193 to £168,511, fully confirming the expectation of expanding revenue to which I referred two years ago. After providing for taxation and the dividend of 4½ per cent which we recommend, we shall be able to carry forward £46,136 to next year compared with £45,575 brought in.

With regard to the subsidiary companies, Ortem Estates has since August of last year resumed trading and has made some contribution to earnings. We hope that this subsidiary will during the coming year find profitable use for a considerable proportion of our cash balance.

The difference between ourselves and the London Transport Executive affecting many of our properties to which I have referred before, has been the subject of negotiations which are still in progress.

I said last year that there were grounds for feeling that expanding revenue would over the next two or three years enable us to maintain the dividend at 4½ per cent, and I am glad that in spite of continued statutory rent restriction that view has been confirmed. I am encouraged thereby to take a rather longer view and can perhaps suggest, with all those reservations which unforeseen circumstances make necessary, that such expanding revenue should, after a year or so, from time to time permit of modest increases in the dividend.

ASSOCIATED PORTLAND CEMENT MANUFACTURERS LIMITED

NEW PRODUCTION RECORD

MR GEORGE EARLE'S STATEMENT

The annual general meeting of the Associated Portland Cement Manufacturers Limited was held on June 25th in London, Mr George F. Earle, CBE (the chairman), presiding.

The following are extracts from his circulated statement:

Deliveries of cement during last year by the Blue Circle Group were 7,400,000 tons, an increase of over 700,000 tons compared with 1951. Once again we have broken our previous record.

The sales of our other products were satisfactory, and exports of cement and other goods were well maintained, though some countries had to limit their imports owing to shortage of sterling.

THE YEAR'S RESULTS

The trading surplus of the group (Associated Portland Cement Manufacturers Limited, British Portland Cement Manufacturers Limited and Alpha Cement Limited) increased by £2,147,000 to £9,719,000, but after providing for taxation, including excess profits levy, depreciation and replacement of plant and machinery and other allocations, there is left for the stockholders but £75,000 more than last year. It is proposed that this small increase be passed on to them by way of a higher dividend.

If this proposal is approved our average ordinary stockholder, whose holding is £200 of stock, will receive £32 12s. 6d. after deduction of income tax at the standard rate. The dividend paid for 1938—20 per cent, or two-thirds of that recommended for last year—on a similar stockholding, and after deduction of income tax, at the standard rate, produced £29.

Wages and salaries have to a large extent kept pace with the increase in the cost of living, but company dividends have lagged far behind and it is fair to say that ordinary stockholders have had a raw deal. Surely the additional spending power, averaging £3 12s. 6d. a year—or 1s. 4¾d. a week—of our 20,000 ordinary stockholders from the proposed increase in our dividend cannot affect the inflationary position of this country very seriously, nor does it seem a sound argument for further increases in wages.

Our staff and workmen will all benefit under the profit-sharing schemes from the increased dividend and a workman with 40 years' service will have a profit-sharing bonus of £66 before tax. The average ordinary stockholder will have £60 before tax. It sounds very much like a partnership.

Once again I must point out the difficulty of providing adequate sums for replacement of existing plant and machinery at the present enhanced costs, out of profits taxed at penal rates.

Capital allowances which we are permitted to set off in reduction of tax liabilities are far too small to provide for the replacement of fixed assets. Thus, there is paid away in tax part of the trading surplus which, by all provident standards, should be retained in the business for renewals.

The country's prosperity is bound up with its industrial productivity. Industry cannot function to the maximum advantage under the tax burden it still carries. Without any doubt, the Chancellor of the Exchequer realises this as fully as those engaged in industry.

ISSUE OF NEW SHARES

Since the beginning of 1948 your group has invested large sums in the United Kingdom and overseas in capital expenditure. The total spent by the group, including the purchase of motor vehicles, amounts to no less than £18,900,000. This company alone has provided from its own resources during the same period £8,950,000 for expenditure on fixed assets and investment in subsidiary and associated companies at home and abroad.

It is obvious that the issued capital of the company is out of line with the capital permanently employed in the business. You are therefore being asked to approve an increase in the share capital and the capitalisation of certain reserves by an allotment to ordinary stockholders of one new share for each £1 of ordinary stock already held. Needless to say this does not carry any implication that the total amount to be distributed by way of future dividends will be any greater than it would be if the capital had not been increased.

Our 11,000 staff and workmen, under their profit sharing schemes, receive dividends on their notional shareholdings. These shareholdings will be doubled in the same way as those of the ordinary stockholders if this proposal is adopted.

PRODUCTION IN 1953

Four of our largest works were temporarily closed down owing to the floods and we lost more than 50,000 tons of output.

The demand at home is greater than we can supply, but the new kilns at Hope and Mason's works are running. This, together with the technical advances we have made, should enable us to show you good production figures for this year.

It is our duty to keep the home market supplied and for this reason we are importing cement from the Continent. We sell this cement at the home trade price, which is still the lowest in the world, and as the selling price is considerably less than we pay, it is an expensive business.

The export demand is still excellent, and fortunately the prices are good.

The report was adopted.

BANK OF BRITISH WEST AFRICA, LIMITED

GENERAL EXPANSION OF BUSINESS

LORD HARLECH'S REVIEW

The fifty-ninth annual general meeting of the Bank of British West Africa, Limited, will be held on July 14th, in London.

The following is an extract from the statement by the chairman, the Rt Hon Lord Harlech, KG, GCMG, circulated with the report and accounts for the year to March 31, 1953:

The balance sheet and profit and loss account are before you, and the results are clearly a matter for satisfaction. The figures indicate a general expansion of business, and represent a partial fulfilment of our aim to keep abreast of the many economic developments taking place in West Africa.

BALANCE SHEET FIGURES

A sum of £50,000 has been taken from profits and added to reserve fund, raising the total to £1,100,000. A further sum of £125,000, also taken from profits, has been placed to contingencies account.

Current, deposit and other accounts at £58,773,777 are higher by £4,206,800, compared with last year.

Liabilities on acceptances, confirmed credits and other engagements on behalf of customers at £7,630,591 are down by £1,717,985, and give an indication of a more cautious policy being followed by trading companies, many of whom have made serious endeavours to reduce their stocks during the year. When this situation has been corrected, we may confidently look for a revival of business under credits; meanwhile a healthier aspect in relation to stocks on hand is apparent.

On the assets side, our cash holdings at £6,766,164 are down by £1,046,781, while money at call and at short notice is higher by £4,760,714. At first sight these figures may perhaps suggest an over-liquid position, but the necessity for having ample funds at our disposal to finance the requirements of seasonal crops in West Africa is of paramount importance, and experience shows that practically the whole of our available funds are fully engaged during marketing periods.

Loans, advances and other accounts at £12,295,375 are lower by £2,328,927 and reveal a downward tendency in the flow of facilities required for the renewal of trading stocks. This trend is a normal one in a period when a heavy clearance of accumulated merchandise is taking place.

DIVIDEND DECISION

Your directors have given careful consideration to the payment of a dividend in a year that has shown a higher profit ratio, which it is felt may justify optimism to the extent of proposing an increased distribution. I, therefore, have pleasure in recommending the payment of a final dividend at the rate of 7 per cent, which, with the interim dividend of 3 per cent paid in November, 1952, will make a total of 10 per cent for the full year.

I think you will know that our dividend policy has always been elastic and in this respect it differs from that of most of the larger English banks. In good trading years we have felt justified in proposing a higher distribution, while in periods of recession it has been necessary to adopt a conservative attitude. It gives me pleasure to make the present recommendation, and I might add that this is the third occasion in the history of the bank that 10 per cent has been paid, the previous instances being in the prosperous years of 1908 and 1920.

NEW OFFICES

New branches have been opened at Hohoe, Sunyani, Tudu (Accra) and Keta on the Gold Coast and at Aba, Ilesha, Sokoto, Warri and Apapa in Nigeria. Attention is being paid to other areas where new developments are taking place.

We have an extensive building programme on hand, in relation to newly established branches, the modernising of existing offices, and the provision of additional residential accommodation for our staff. Although steady progress is being made, it will be several years before the schemes now under way are completed. The reconstruction of our principal office at Lagos, a major operation in itself, has been long drawn out. However, there are real hopes of its being finished within the next twelve months.

WEST AFRICA'S WEALTH

West Africa contributes a variety of products to world markets from her agricultural and mineral wealth. Although there is a tendency towards lower prices, the tonnage output of most of these products is well maintained, with the possible exception of timber and rubber, which are meeting fierce competition from other sources of supply.

With its varied range of exportable commodities, West Africa is able to insulate itself to some extent against possible recessions, as experience shows that slump conditions rarely involve more than one or two products at a time. Few tropical countries of such size have so much to offer, and West Africa is fortunate in being able to export extensive quantities of cocoa, groundnuts, palm oil, palm kernels, cotton, timber, gold, manganese, tin concentrates, iron ore, rubber, hides and skins, etc., the demand for which continues to be favourable.

A considerable change has taken place in the level of stocks of consumer goods in the hands of merchants since I alluded to this problem a year ago. Outward shipments to West Africa have been curtailed, and this, coupled with a successful period of retail selling, has resulted in a reduction of surplus stocks to a wiser level. This process has entailed some price cutting, but there have been few instances of panic sales, although reduction of profits has been frequent. Price adjustments in relation to existing stocks of consumer goods are now almost over, and a further writing down should not be necessary.

The most urgent needs of these colonies at the present time are in respect of nearly all types of building materials and more skilled technicians for the development of their resources. It is clear that West Africans are far-seeing people where the future of their country is concerned and there exists ample evidence that they are increasingly prepared to take a long-term view of the tasks that lie ahead of them.

Our bank has had a long history and extensive experience throughout West Africa, and, having sufficient financial resources at its disposal, coupled with a progressive policy, is ready to take its full share in the many tasks and opportunities that lie ahead.

ATLAS ELECTRIC & GENERAL TRUST, LIMITED

INCREASED INCOME AND DIVIDEND

The forty-fifth annual general meeting of this company was held on June 18th in London.

The Rt Hon Lord Remnant, MBE, chairman of the company, in the course of his speech, said:

When I addressed you last year I did not venture far into the realms of prophecy as to the results of the year which we are now reviewing. I did say, however, that on the one hand we did not expect our gross investment income to show as large an increase as in the previous year—namely, £86,000, and that on the other hand we did not expect it to fall below the income of that year.

In fact, the results have come out about halfway between these two extremes and we record an increase of £47,805 in our gross income from investments, the total of which is £681,136. Commissions, rents, and management fees at £8,603, and commissions on "free" underwritings of £4,101 both show a small increase. A profit on exchange of £861 and transfer fees of £243 bring our total income from all sources up to the record figure of £694,944, an increase of £51,007.

The balance of net revenue for the year is £306,429 compared with £279,918 in the previous year. We propose to increase the dividend on the ordinary stock from 5 per cent to 6 per cent. Out of our total net revenue we have distributed 71 per cent in interest and dividends and applied 29 per cent to increasing the general reserve and the amount carried forward.

PROSPECTS FOR CURRENT YEAR

One need never look very far to find discouraging features, and they are numerous today. Our country's export trade is having to contend with greatly increased competition, and business is increasingly hard to get and to hold. Company reports now being issued more frequently show a contraction than an expansion in profits. The fear of a recession in business is always round the corner. There is tension in Egypt and uncertainty in South Africa. We cast anxious eyes on Kenya and Malaya. At home ever-recurring demands for increased wages, and a fall in production, constitute threats to our slow recovery.

But there are encouraging signs also. Looking back over the past year, and particularly to the uncomfortable position a year ago, we can see a substantial recovery in our national finances, which has obviously given Mr Butler, the Chancellor of the Exchequer, more room to manœuvre. His new approach to the question of taxation inspires confidence in the future, and we can hope that the imperative necessity to give industry a greater measure of relief from taxation has been realised.

The shackles which trammel industry are gradually being removed. Our great industrialists are shaping events to their pattern and not waiting for changing conditions to convert prosperity into disaster. The Commonwealth Conference last December and the recent Commonwealth Prime Ministers' Conference have shown a unity of purpose and resolve which augurs well for the future.

With all these considerations in mind, I feel that we may experience some individual disappointments in regard to our revenue during the current year, but the final result should not be very different from the year just ended. In that case we should be able at least to maintain the present rate of dividend and at best continue the satisfactory rate of progress of recent years.

The report and accounts were adopted.

LONDON ELECTRIC WIRE COMPANY AND SMITHS, LIMITED

RECORD CONSOLIDATED PROFITS

The forty-fourth annual general meeting of the London Electric Wire Company and Smiths, Limited, was held on June 24th in London.

Mr A. Noel Smith presided in the absence through indisposition of the chairman and managing director, Mr W. J. Terry, and read his speech, from which the following is an extract:

The consolidated profits for the year at £1,307,110 are £89,891 higher than for the previous year and constitute a record for the group. Although there was an increase in earnings, the resultant profit of £510,580 after providing for taxation—including Excess Profits Levy, which appears for the first time—is lower by £29,241 than in the previous year. Taxation therefore absorbs 61 per cent of the profits, or the equivalent of 12s. 2d. in the £. The trading results for 1952 fully support the recommendation of a distribution of 15 per cent, described as "10 per cent dividend plus a Coronation bonus of 5 per cent."

The penalising effect of taxation still continues to be a heavy burden upon industry, and effective relief can only be achieved by substantial retrenchment in Government expenditure.

HOME AND EXPORT SALES

For the year under report our home sales were greater than in the previous year, both in volume and value, the value, of course, being influenced by the high price of copper. Our direct export sales were somewhat lower than in 1951. The electrical industry has, however, a vast export business of which our products are an integral part, the extent of which cannot be determined.

Since our last meeting the Monopolies and Restrictive Practices Commission have published their report on their inquiry into our industry, and it is very difficult to believe that some of their recommendations are necessary in the public interest. If the Commission's recommendations are insisted upon, it will imperil the existence of trade associations which have done so much to build up British industry and were essential in providing during the war a channel of communication between the Government and the various industries manufacturing vital equipment. They are equally essential in existing circumstances to encourage a common effort, ensure general progress and provide the necessary co-operation with trade unions.

THE FUTURE

Now that there is a measure of relief from Government control our necessary capital commitments for extensions and new plant for both home and abroad are approaching £800,000. Our financial results are greatly influenced by the load on the factories. A heavy load means satisfactory profits, whereas during a period of restricted trading our results are more than proportionately affected by reduced turnovers, because our factories are to a great extent laid out for mass production; in other words, good results, such as now reported, are dependent upon constant demands from our customers to provide the requisite load.

Our liquid resources will be required and should be adequate to finance larger copper stocks and the extensions already mentioned. In the circumstances, I feel that the future can be faced with confidence.

The report and accounts were adopted.

LAMBERT BROTHERS

EFFECT OF FALL IN FREIGHT RATES

The fiftieth annual general meeting of Lambert Brothers, Limited, was held on June 25th in London, Mr R. Rattcliff Steel (the chairman) presiding.

The following is an extract from his circulated statement:

The consolidated profit and loss account shows profits for the year amounting to £752,580 before deducting taxation, which absorbs £391,214.

After deducting the preference dividend, the 5 per cent interim dividend already paid, the final ordinary dividend of 15 per cent and a bonus of 5 per cent, there is left a sum of £279,311. To this is added the balance of £732,400 brought forward from last year and a sum of £2,945 released from taxation provisions no longer required, making a total of £1,014,656 for further appropriation. The sum of £223,640 has been put to fleet replacement reserve, leaving £791,016 which it is proposed to carry forward.

We also propose to repeat the payment of 2½ per cent on the ordinary stock out of realised capital accretions, which does not attract any form of tax in the hands of the stockholders.

GREATLY STRENGTHENED BALANCE SHEET

Though, with the fall in the freight market, the profits for the year under review are much reduced, they still exceed those of any year prior to 1951. Practically every branch of our business is linked in one way or another to the freight market, so that from year to year considerable variations in the profits must be expected.

Your board consider, however, that it is in the best interests of the stockholders that the dividends should not fluctuate proportionately, and it is with this object that after repeating last year's dividends it is proposed to increase further the reserves and carry-forward.

It will, I am sure, be appreciated that the transfers to fleet replacement and general reserves and the increased carry-forward greatly strengthen the consolidated balance sheet.

The fall in freight rates from the abnormally high levels of 1951, to which I have already referred, was most marked from the spring of 1952. Nevertheless, the vessels of your subsidiary company, Temple Steamship Company, Limited, continued to trade satisfactorily throughout the year and enjoyed in some measure the benefit of charters arranged previously at rates considerably higher than those currently ruling throughout the major part of 1952.

Unfortunately, however, running costs have continued to rise and at today's general level of freights there is little margin of profit.

In addition to our own Temple ships, our ship management department continued to operate several vessels for clients.

The first of the two new motor vessels for the Temple Company is expected to be delivered in October or November of this year, one or two months later than expected. In view of the serious difficulties with steel deliveries with which the builders have had to contend, this can be regarded as satisfactory.

I have no doubt the stockholders would like me to express my views on the future, but I feel that in the present still unsettled state of the world it would be dangerous to do so. So far this year there has been no material improvement in freight levels.

The report was adopted.

THE FORESTAL LAND, TIMBER AND RAILWAYS

The forty-seventh annual general meeting of The Forestal Land, Timber and Railways Company, Limited, was held on June 24th in London, Mr Gerard d'Erlanger, CBE, ACA (the chairman), presiding.

The following is an extract from his circulated review: Last year I stated that owing to a serious recession in the tanning trade the results for 1952 could not be so successful as the record results for 1951. The results of our sterling subsidiaries do in fact show an improvement though admittedly the profits of La Forestal Argentina have declined. The improvement is due to the sustained demand by the tanning trade for our wattle extracts during the latter half of the year.

The profit, after taxation, was £1,142,117, an increase of £184,679 attributable principally to the increase in earned profit at £1,492,195 of £128,468 and increased profit on sale of investments of £92,865.

The results before you, we believe, justify your board's policy of encouraging and developing the activities of the constituent companies of the group in South Africa, Rhodesia and Kenya.

In view of the considerably strengthened position of the group, it is your board's intention at an early date to capitalise reserves by way of a bonus issue of one ordinary stock unit for every four ordinary stock units or bearer shares held.

Your directors feel confident, barring unforeseens, the profit for 1953 will be sufficient to maintain the present dividend (12 per cent) on the increased ordinary capital.

The report was adopted.

THE INDUSTRIAL AND GENERAL TRUST

The 65th annual general meeting of the Industrial and General Trust, Limited, was held on June 18th in London.

Mr L. A. Stride, the chairman, in the course of his speech, said:

For the eighth successive year our gross income constitutes a record and for the first time has exceeded one million pounds. The actual figure is £1,054,767, an increase of nearly £71,000 over last year. Income tax and profits tax absorbed some £33,000 more, bringing our total direct liability for taxes up to approximately £451,000. Our net income is then nearly £50,000 up on last year.

The transfer to general revenue reserve is £120,000, bringing it up to the very substantial total of £1,420,000. We recommend a final dividend of 20 per cent on the ordinary stock, making 30 per cent for the year. These payments will absorb £214,156 and leave to be carried forward £331,915, which is £12,544 more than we brought in.

Although the peace and stability of the world seem less imperilled than for some years past, it is still not possible to foretell with any accuracy what the future holds for the Trust. Your directors are confident, however, that their conservative handling, over the years, of the finances of the Trust has provided it with the strength to withstand adversity or to benefit from any period of prosperity.

The directors recommend the capitalisation of a part of the reserves which will be used in paying up in full new ordinary shares of £1 each, which will then be distributed on the basis of one new share for each £1 stock held.

The report was adopted and the capitalisation proposals and share issue were approved.

N. GREENING & SONS, LIMITED

INCREASED TURNOVER BUT REDUCED MARGIN OF PROFIT

The seventy-first annual ordinary general meeting of N. Greening & Sons, Limited, was held on June 24th at the company's office at Warrington.

Mr C. G. Fraser, the chairman, presided. The following are extracts from his circulated statement:

It is with sincere regret that I have to record the resignation during the year of Mr H. R. Yorke, who had been a director of the company for sixteen years and chairman for the last ten years. The company has made very substantial progress during the period of Mr Yorke's chairmanship and I am sure shareholders will wish to join with the directors in recording their appreciation of his services to the company, and in wishing him improved health in his retirement.

In view of the difficult trading conditions commonly experienced during the year I feel that the final results can be regarded as very satisfactory. Group sales exceeded those of the previous year by nearly 20 per cent and thereby established a new high record, although various factors have resulted in a reduced margin of profit.

ACCOUNTS

The trading surplus for the year as shown in the consolidated income statement is £238,620, as compared with £271,604 last year.

Net profit, after taxation, is £90,823 as compared with £103,352 last year, and in determining their dividend policy your directors have again considered what further appropriations from taxed profits are required in order to maintain the real capital employed in the business. They feel that further appropriations to fixed asset replacement reserve (£15,000) and general reserve (£39,461) should be made, but they also feel that shareholders can reasonably expect some increase in dividend in recognition of the increased capital employed in the business. They have, therefore, provided for a final ordinary dividend of 10 per cent, making 12½ per cent for the year which is, in effect, an increase of 2½ per cent after making allowance for the share-for-share bonus issue made during the year.

On the balance-sheet, you will see the effect of the capitalisation of reserves and the issue of bonus shares and it is a measure of the growth and stability of the company that in spite of this capitalisation the total of the reserves still exceeds the issued ordinary capital.

TRADING CONDITIONS

Sales of the parent company covering woven wire, perforated metals and wire products established a new high record but the size of the order book has been reduced and the current rate of orders received is appreciably below the average rate of sales for the year. Export sales have been further increased in face of considerable difficulties—particularly in South America—and we have recently made a fresh approach to the North American market.

Development work on our electrolytically formed mesh marketed under the trade name of "Perflec" has proceeded satisfactorily and we are now able to produce this speciality in continuous roll form subject to certain limits of width and mesh count. Perflec has properties not possessed by either woven wire or perforated metals and a number of interesting and novel applications have come to our notice during the year.

The Greening Wire Company has had the benefit of increased steel supplies during the year—both home and imported—and this has enabled us to restore production to a more satisfactory level. Conversion margins have been narrowed by increased costs outside our control, but the higher throughput has been a compensatory factor. In the final outcome this subsidiary has been able to make a useful contribution to the group profits.

F. and G. W. Stonier and Company have experienced a very difficult year owing to the short-time working in the paper industry. Progress with the new factory buildings at Warrington has been held up both by licensing delays and steel shortages, but we have every hope that we will be able to commence the transfer from Manchester to Warrington during the current year.

OUTLOOK FOR THE CURRENT YEAR

Our main products are an essential consumable requirement for almost every industry and there is, therefore, a strong tendency for our sales to show a broad reflection of general business activity. Over these last six months there has been a definite falling off in demand, but there are indications that in part at least this may be a temporary phase arising from the difficulties common to all industries when delivery periods are shortened and the outlook changes from a "sellers'" to a "buyers'" market.

The report was adopted.

VENT-AXIA LIMITED

NEW RANGE OF IMPROVED MODELS

The seventeenth annual general meeting of Vent-Axia Limited was held on June 25th in London, Mr J. C. Akester (chairman and managing director) presiding.

The following is an extract from the report of the directors:

The company's trading profit for the year ended March 31, 1953, was £85,723. Although this is less than last year I do not think it is on the whole an unsatisfactory result. In 1950-51 we were seriously hampered by material shortages with the result that we ended that year with an abnormal backlog of orders. We managed last year (1951-52) to increase production sufficiently to catch up the arrears and build up stocks so that we reaped some of the benefit of sales made in the previous year. This year (1952-53) the home market continued to improve and despite the set-backs on the export side due to the temporary closing of certain countries the value of orders booked during the year was much the same as in the last.

Net assets are now £124,474, an increase of £13,579. Stock and work in progress has risen by £13,745; the increase is mainly due to the introduction at the end of March of our new range of improved models, production of which has taken place throughout the year.

Taxation takes its usual heavy toll and includes this year a full 12 months' excess profits levy. £10,000 has been placed to general reserve as against £20,000 last year and your directors recommend payment of a final dividend of 37½ per cent (less tax), making 62½ per cent (less tax) for the year. This leaves a balance carried forward in profit and loss account of £14,474.

While it is too early to gauge the effect on our sales of the new Vent-Axia Reversible which we recently put on the market the initial reception has been encouraging and we hope to be able to report a favourable reaction in the next year's results.

The report was adopted.

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

SIR JOHN DALTON'S REPORT

The annual general meeting of W. T. Henley's Telegraph Works Company, Limited, was held on June 19th in London.

Sir John Dalton, AMIEE, FCIS., the chairman, presided.

The chairman, in the course of his speech, said: The net current assets—that is, the current assets less the liabilities—are £6,612,000, or some £2,400,000 more than at the end of 1951.

The market value of our trade investments exceed their book value by almost £1 million.

The balance in our trading account for the year is £1,364,135, which is within £5,000 of the balance in 1951.

The net profit of the parent company for the year at £594,554 shows an increase of £60,391 over the previous year, that is, an increase of 11.3 per cent.

We have transferred £300,000 to general reserve, the total of which reserve now stands at £3,100,000.

It is proposed to pay a final dividend of 8 per cent, which, together with the interim dividend of 5 per cent already paid on the £2,437,500 of ordinary stock becomes equivalent to 10½ per cent on the ordinary stock, issued at the end of the year.

Our subsidiary companies—Henley's (South Africa) Telegraph Works Company, Limited, and Oakley Brothers, Limited—both showed expansion during the year. Our other subsidiary—Henley's Tyre and Rubber Company, Limited, however, suffered a setback in common with a serious recession in the tyre industry generally.

As an example of the attitude taken up by your company in present changed circumstances, you may have noticed that we tendered for and obtained a contract in America a few weeks ago for the Seattle City Light Department against tenders from both British and American cable makers. We were nearly £20,000 under the nearest American bid.

EXPORTS

Exports represent an important part of our business, but, during 1952, we were handicapped both by copper rationing and the restrictions upon imports imposed in our principal overseas markets. Nevertheless, our export sales increased in relation to 1951 by approximately 10 per cent.

FUTURE PROSPECTS

The special problems which we face today are in the nature of things unusual and transitory, but they have a bearing on the immediate future. Impediments to progress, outside our control, arise from a variety of causes. Financial stringency overseas and credit restrictions at home have resulted in our company being obliged to accept deferred payments or asked to delay shipments, and indeed, at home we have found ourselves financing other industries to a certain extent. There was an overstocking of cables by the nationalised and other industries during the time of scarcity, and we now await the entry into the market of our larger h[illegible] soon as current stocks of cable [illegible]

On the other hand, [illegible] an industry coup[illegible] linked inev[illegible] indust[illegible]

keenness of foreign competition in world markets. The British Electricity Authority is fully alive to this necessity and is planning accordingly.

Thus there must be a continued and even expanding demand for our products. There is already a pent-up demand awaiting release as our more urgent national problems become solved.

The report was adopted.

JACKSON THE TAILOR LIMITED

ALL-ROUND IMPROVEMENT

The twenty-first annual general meeting of Jackson the Tailor Limited was held on June 24th at Newcastle-upon-Tyne, Mr Lionel Jacobson (chairman and joint managing director) presiding.

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

Retail trading is steadier than for some years past. Our customers can now buy a well-made suit of excellent material styled to their individual requirements at a price which they can afford to pay. A competitive market now exists, and only on such a basis can increased turnover be regarded as healthy. I am happy to announce record sales for the year to January 31, 1953, and that sales to date are such as to dispel any anxiety for the current year.

We are careful to keep warehouses, works and retail stores up to the highest level of modern standards. Two branches opened recently in Oxford Street, London, and New Street, Birmingham, have already firmly established themselves. We have plans for steady expansion of the retail organisation.

The all-round improvement in the financial position is obvious and our trading profit is slightly higher than that of the previous year.

The past two years have shown me the strength of the group as a whole. I have confidence in those about me to strive to maintain our place in the forefront of our particular trade. More important still, we carry the confidence of the public.

The report was adopted.

VAB PRODUCTS

SATISFACTORY RESULTS DESPITE DIFFICULTIES

The sixteenth annual general meeting of Vab Products Limited was held on June 19th in London.

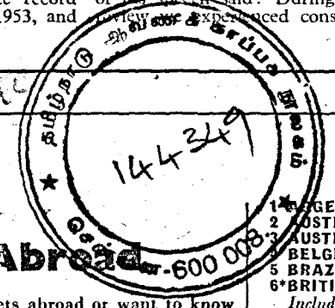
Mr Ivor Lloyd, AMIAE, FCS, MInstBE (the chairman), presided, and in the course of his speech said: During the year under review we experienced considerable difficulties with raw materials for more than one of our subsidiaries, and this, added to import restrictions abroad, has made it a difficult year for us and many concerns, as you will have noted in the Press, and as I forecast at our last annual general meeting. Nevertheless, I think that the result of 1952's trading is satisfactory.

You will note that the trading profit amounted to £56,642 for the twelve months ended December 31, 1952. Of the residual profit of £37,349, taxation absorbs £23,792, and it is very difficult to see how industry can carry the burden of such enormous taxation indefinitely. There is, however, one bright spot in that EPL will no longer operate after this year.

Conditions are still difficult and do not encourage any reliable forecast of future trading, but I am glad to state that all our factories are working at a higher level than during the corresponding period last year and we face the future with confidence, though in these days of keener competition one will find, in common with others, that margins are finer. This fact encourages your board to adopt the latest methods of production in all its subsidiaries, while retaining the high quality of our products.

Your directors are pleased to recommend a final dividend of 7½ per cent, making a total of 12½ per cent for the year. Not as much as last year, I agree, but in keeping with the trading and profits of your company.

The report was adopted.



Marketing Abroad

If you are seeking new markets abroad or want to know more about your present ones, the quarterly reports by The Economist Intelligence Unit will help you. These reports give concise and up-to-date analyses of economic and business conditions and prospects in other countries, and they contain a wealth of information of value to the exporter and investor. Each report is prefaced by a summary of the main facts and conclusions, and contains a comprehensive statistical appendix supplemented by maps and diagrams.

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